**Hold the fort**
*How the franc came unstuck*
Page 2

**The UN in Somalia**
*This wasn't what it had in mind*
Page 5

**Baltic pollution**
*Who will pay for the clean-up?*
Page 23

**Finanzplatz angst**
*Germany swallows its pride to get ahead*
Page 13


# FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY JULY 14 1993 D8523A


## Thirteen charged in Abu Dhabi over BCCI affair

Thirteen former officers of the Bank of Credit and Commerce International have been charged in Abu Dhabi two years after the bank was closed following an alleged multi-billion-pound fraud. The charges mean that Mr Swaleh Naqvi, former chief executive officer of the bank, could face a 36-year jail sentence if convicted on all counts. Mr Naqvi was among a number of *senior officers* in Abu Dhabi engaged on restructuring the bank at the time of its worldwide closure. Page 14

**UK expansion exceeds forecast:** Britain's manufacturing output rose 1.8 per cent in May, the sharpest monthly increase for four years, and almost 10 times stronger than market expectations. Page 14

**Commerzbank,** one of Germany's largest banks, has won a long-running legal dispute with British tax authorities in a case which could have important implications for businesses elsewhere in the EC. Page 14

**IRI,** Italy's biggest state holding company, revealed details of plans to rationalise the telecommunications sector, starting with the merger of Sip and Italcable by January 1 1994. Page 15

**Taiwan go-ahead for BAe venture loans:** Taiwan's economics ministry and local banks agreed in principle to offer Taiwan Aerospace Corporation $460m in low-interest loans for a £250m ($373m) joint venture with British Aerospace.

**Iraq prepares for more strikes:** Iraq began to prepare the public for possible US military attacks, following its refusal to allow United Nations weapons inspectors to seal off a two missile sites west of Baghdad. Page 5

**Clarke visit aims to improve German links:**

UK chancellor Kenneth Clarke (left) is to visit Germany for two days from Sunday to strengthen economic relations and smooth tensions between the Treasury and Bundesbank. *He will meet* Hans Tietmeyer, Bundesbank president-designate, and Theo Waigel, German finance minister, and will give a speech that is expected to develop the UK's ideas for improving Europe's international competitiveness. Page 6

**Wholesale prices come down:** US wholesale prices fell 0.3 per cent in June, the biggest monthly drop in two years, indicating that inflationary pressures are moderating. Page 3

**Subpoena for Bush over BNL:** Former president George Bush has received a subpoena to testify and provide documents in the long-running case involving more than $5bn of Iraqi loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro. Page 3

**Denial on BA 'dirty tricks':** British Airways chairman Sir Colin Marshall denied any prior knowledge of the "dirty tricks" his airline played on Virgin Atlantic Airways that led to an apology and a £610,000 payment to Virgin in January. Page 15; Lex, Page 14

**Medco in talks with drugs groups:** A realignment of drug distribution in the US, could be under way following news of talks involving Medco Containment Services, one of the country's largest distributors. Page 15

**Delay on water clean-up advised:** The UK government was advised to delay the timetable for cleaning up the country's water or risk seeing large increases in household water bills. Page 6; Editorial Comment, Page 13; Lex, Page 14

**Cambodia guerrillas in peace move:** Khmer Rouge guerrillas are willing to join Cambodia's new national army to try to bring peace to the country. Page 5

**US steel 'cheaper than imports':** *Steel imported into the US is often more expensive* than that produced by US mills which are accusing foreign competitors of dumping. Page 4

**British interest in gas pipeline:** British Gas, Rolls-Royce and British Steel are among five British companies which may participate in the building of a pipeline to carry Argentine gas to Chile's capital, Santiago. Page 4

**India flood deaths reach 175:** Floodwaters began receding in northern India as the death toll from four days of heavy monsoon rains rose to at least 175.

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2837.1 | (+6.2) |
| Yield | 4.03 | |
| FT-SE Eurotrack 100 | 1235.91 | (+3.01) |
| FT-A All-Share | 1408.44 | (+0.2%) |
| Nikkei | 20,180.42 | (+200.42) |
| New York lunchtime: | | |
| Dow Jones Ind Ave | 3518.58 | (-7.82) |
| S&P Composite | 448.55 | (-0.43) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3% |
| 3-mo Treas Bills: Yld | 3.096% |
| Long Bond | $106\frac{1}{2}$ |
| Yield | 6.618% |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 6% | (same) |
| Liffe long gilt future: | Sep 107$\frac{11}{32}$ | (Sep 108$\frac{2}{32}$) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Aug) | $17.025 | (16.87) |

**■ Gold**

| | | |
|---|---|---|
| New York Comex (Aug) | $394.5 | (394.9) |
| London | $393.75 | (394.05) |

**■ STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.49375 | |
| London: | | |
| $ | 1.4935 | (1.478) |
| DM | 2.57 | (2.555) |
| FFr | 8.775 | (8.7275) |
| SFr | 2.27 | (2.26) |
| Y | 161.75 | (162) |
| £ Index | 81.2 | (80.8) |

**■ DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.7205 | |
| FFr | 5.87375 | |
| SFr | 1.52055 | |
| Y | 108.15 | |
| London: | | |
| DM | 1.72 | (1.7285) |
| FFr | 5.875 | (5.905) |
| SFr | 1.52 | (1.5285) |
| Y | 108.3 | (109.6) |
| $ Index | 66.1 | (66.5) |

Tokyo close Y 108.85

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Germany | DM3.30 | Malta | Lm0.60 | S.Arabia | SR11 |
| Bahrain | Din1.250 | Greece | Dr300 | Morocco | MDh13 | Singapore | S$4.10 |
| Belgium | BFr60 | Hungary | Ft172 | Neth | Fl 3.75 | Slovak Rp | KSL45 |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Nigeria | Naira45 | Slovenia | SLT220 |
| Croatia | HRD5700 | India | Rs40 | Norway | NKr18.00 | South Africa | R12.00 |
| Cyprus | C£1.00 | Israel | Shk5.90 | Oman | OR1.50 | Spain | Pta210 |
| Czech Rp | Kcs45 | Italy | L2700 | Pakistan | Rs35 | Sweden | SKr15 |
| Denmark | DKr15 | Jordan | JD1.50 | Philippines | Pso45 | Switz | SFr3.20 |
| Egypt | E£4.50 | Kuwait | Fils.600 | Poland | Zl 22,000 | Syria | S£50.00 |
| Finland | FM12 | Lebanon | US$1.25 | Portugal | Es215 | Tunisia | Din1.250 |
| France | FFr9.00 | Lux | LFr60 | Qatar | QR12.00 | Turkey | L8000 |
| | | | | | | UAE | Dh11.00 |

# Troops ignore UN orders as Somalia crisis worsens

By Michael Littlejohns in New York and Robert Graham in Rome

*THE CRISIS over the United* Nations peacekeeping role in Somalia deepened yesterday as it emerged that UN troops in the country have been refusing to carry out the orders of local commanders, apparently on instructions from their governments.

According to UN officials in New York, Italian, Kuwaiti and Saudi contingents have refused to carry out orders given by the Turkish commander, General Civek Bir.

Some troop commanders in riotous Mogadishu were said to have been unwilling to commit contingents to UN sorties because of the risk of casualties.

The UN ambassadors of the half-dozen or so countries with more than 1,000 soldiers in Somalia were recently summoned to discuss the crisis by Mr Kofi Annan, the undersecretary general in charge of UN peacekeeping operations worldwide.

They were told it was unacceptable for national capitals to issue orders to contingents serving under the UN flag and that General Bir's authority must be respected.

This latest blow to the UN's authority in Somalia emerged as Italy, which has been expressing disquiet about the conduct of the increasingly bloody operation, asked the UN for its troops in Mogadishu, the capital, to be moved out to safer areas unless agreement could be reached.

Mr Beniamino Andreatta, foreign minister, said he had told Mr Boutros Boutros Ghali, UN secretary-general, the contingent should otherwise be moved north of Mogadishu.

Mr David Andrews, the Irish defence minister, yesterday called for an international conference of the 20 or more countries which are contributing troops to the Somalia operation.

Mr Andrews, speaking after he addressed 80 Irish troops about to be dispatched to Somalia, said: "It is important not to lose sight of the fundamental reason for the UN presence in Somalia, which was to help create the political and economic conditions whereby ultimately the Somali people could help themselves."

His call came a day after US helicopter gunships blasted the command centre of Gen Mohamed Farah Aideed, the fugitive warlord, leaving more than a dozen dead, and a Somali mob

Continued on Page 14
Background, Page 5
Editorial Comment, Page 13

# Bonn acts to curb deficit with $12bn spending cut

*By Quentin Peel in Bonn*

THE GERMAN cabinet yesterday approved plans for a DM21bn ($12bn) package of cuts in social spending and unemployment benefits, intended to curb the government's soaring deficit and encourage the Bundesbank to continue cutting interest rates.

Budget spending for 1994 was fixed at DM478.4bn, up 4.4 per cent on the current year, with a forecast borrowing requirement of DM67.5bn – almost identical to the current deficit.

At the same time the cabinet approved a medium-term financial plan to impose a virtual freeze on nominal spending in 1995, and tight restraint until 1997, intended to reduce the deficit to DM48bn in 1996 and DM38bn by 1997.

"We have laid the foundations for improving the ability of the Bundesbank to cut [interest] rates," Mr Theo Waigel said after the cabinet meeting, which was attended by both Mr Helmut Schlesinger, the Bundesbank president, and Mr Otmar Issing, his chief economist.

The finance minister said that both Bundesbank officials had agreed that "the decline in the economy appears to be over, and the signs are increasing for a stabilisation".

*The 1994 budget is based on a* forecast growth rate of 1 per cent in western Germany next year, assuming a recovery in the first half of the year, after a 1.5 per cent decline in 1993. For the whole of Germany, growth is forecast at minus 1 per cent this year and plus 1.5 per cent in 1994.

The budget of the labour ministry, *including the payment of* unemployment benefit and financing job creation and retraining schemes in eastern Germany, remains by far the largest single element: almost DM122bn, or a quarter of total spending next year. Mr Waigel forecast an unemployment total of 3.75m in 1994, suggesting a continuing rise in unemployment even if the recession bottoms out.

He said the aim of the budget, and the medium-term financial plan, was to bring central government spending under control, while still taking action to promote economic recovery.

The DM21bn savings package approved for next year includes a cut of 3 percentage points in unemployment and social assistance benefits, a freeze on pay in the public sector and a clampdown on social security and tax fraud intended to yield some DM6bn in savings. The cuts in spending resulting from the package *should produce savings of* more than DM28bn in the federal budget by 1996, and more than DM34bn if the 16 federal states are included.

The package has aroused furious antagonism from trade unions and the Social Democratic party, the main opposition party in the German Bundestag, the lower house of parliament. The *SPD controls a majority in the* Bundesrat, the upper house, but it can only block cuts amounting to some 5 per cent of the total package, according to finance ministry officials.

In addition to the savings pack-

Continued on Page 14
Labour flexibility, Page 2

**German federal budget plan 1993-1997 (DMbn)**

| | Forecast 1993 | Draft 1994 | Plan 1995 | Plan 1996 | Plan 1997 |
|---|---|---|---|---|---|
| Expenditure | 458.1 | 478.4 | 479.0 | 489.0 | 500.0 |
| Growth rate % | 7.2 | 4.4 | 0.1 | 2.1 | 2.2 |
| Income: | | | | | |
| Tax revenue | 356.1 | 377.9 | 384.1 | 414.8 | 436.0 |
| Other income* | 34.5 | 33.0 | 27.9 | 26.2 | 26.0 |
| Net borrowing requirement | 67.6 | 67.5 | 67.0 | 48.0 | 38.0 |

* Bundesbank profits and transfers from Post Office.

Trucks tossed from the roadway by the recent earthquake which devastated Japan's main isand of Hokkaido. Quake overshadows poll, Page 5

# Islamic troops offered for Bosnia

By Michael Littlejohns in New York, Farhan Bokhari in Islamabad and Laura Silber in Belgrade

SEVEN Islamic countries yesterday offered to provide up to *18,000 troops for the United* Nations protection force in Bosnia-Hercegovina.

The commitment was made at a two-day special conference of the Organisation of Islamic Conference in Islamabad as United Nations officials warned for the first time of the "real risk" that it might become impossible to continue operations in Bosnia. In a *sombre report to the Security* Council, Mr Boutros Boutros Ghali, the secretary-general, spoke of "the deteriorating situation on the ground". His special representative, Mr Thorvald Stoltenberg, *said the choice facing* the UN in the republic was "simple and stark".

Iran has offered up to 10,000 troops, Pakistan 3,000, Bangladesh 1,220, Malaysia 1,500, Tunisia 1,000 and the Palestinian delegation 1,000, while Turkey offered up to a brigade in response to an earlier request by UN secretary-general for more troops to *protect safe zones.*

Mr Stoltenberg said it was up to the UN secretary-general to decide how the OIC offer could be used in the interests of peace.

Noting that original estimates were that up to 32,000 UN troops were needed just to protect the "safe areas" in Bosnia including the besieged capital of Sarajevo, he reported that only 1,120 had been deployed so far in a force *already scaled down to 7,500 at* the Security Council's insistence.

Mr Stoltenberg explicitly rejected a contention by the Bosnian delegate, Mr Muhamed Sacirbey, that his warning of a possible UN withdrawal was designed to pressurise Moslem authorities into entering new negotiations.

Mr Stoltenberg appeared confident that all three parties to the conflict would go to Geneva next week for new talks aimed at a durable settlement. In his own report, Mr Boutros Ghali said the "stark realities are that there is little prospect for implementing *the safe areas policy* before new resources arrive and that the civilian population will face devastating hardship next winter unless Unprofor focuses on efforts to restore utilities and humanitarian relief deliveries".

In the concluding paragraph of the report, Mr Boutros Ghali said: "Members of the Security Council will wish to consider the deteriorating situation on the ground against the prospects for a negotiated settlement. While it is obviously of paramount importance to sustain the humanitarian effort for as long as possible, there is a real risk that, if the *present downward spiral contin*ues, it will be impossible for the United Nations to remain in Bosnia and Hercegovina."

Mrs Sadako Ogata, the UN's High Commissioner for Refugees, is due to visit Sarajevo today. Her visit will coincide with a meeting of Bosnia's collective presidency about peace proposals for the Geneva talks.

# Franc's ERM parity defended

By Lionel Barber in Strasbourg

A STRONG DEFENCE of the french franc's parity with the D-Mark was issued yesterday by Mr Wim Duisenberg, chairman of Central Bank governors.

"In no way are the fundamentals out of line with existing parities," he told the European Parliament. Interventions by the French authorities and other central banks had so far successfully defended the franc, he said.

But he added that these interventions had been accompanied by firm measures from the French authorities. He said the concerted voluntary defence of the french currency was a "true signal of co-operation within the Exchange Rate Mechanism."

On the foreign exchange markets the franc steadied against the D-Mark, ending a succession of sharp declines, following a show of support from French and German politicians and central bank officials.

Currency traders said that sentiment towards the franc had improved and that there had been fairly strong buying interest. But they warned that the instability facing the currency *may not yet have run its course.*

Mr Duisenberg also argued that the credibility of the EC's plans for economic and monetary union depended on member states taking tough action to restrain budget deficits.

He said public sector deficits would rise to more than 6 per cent of the EC's gross domestic product this year – the highest which will ever have been recorded in the Community's history and double the target set out in the Maastricht treaty's goal of Emu.

He added that tackling budget deficits was a prerequisite for easing monetary policy. "A credible, predetermined and irreversible path towards fiscal balance is essential to improve the potential of the Community's economies, *and thus to retain confi*dence in the successful transition to economic and monetary union," he said.

Mr Duisenberg's appearance in a plenary session of the parliament is rare, reflecting a new assertiveness by the Euro-legislature whose powers are set to expand once Maastricht is ratified.


*This announcement appears as a matter of record only*

Rabobank

USD 102,334,000

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Capital Markets Arbitrage

London Paris Hong Kong Tokyo


CONTENTS



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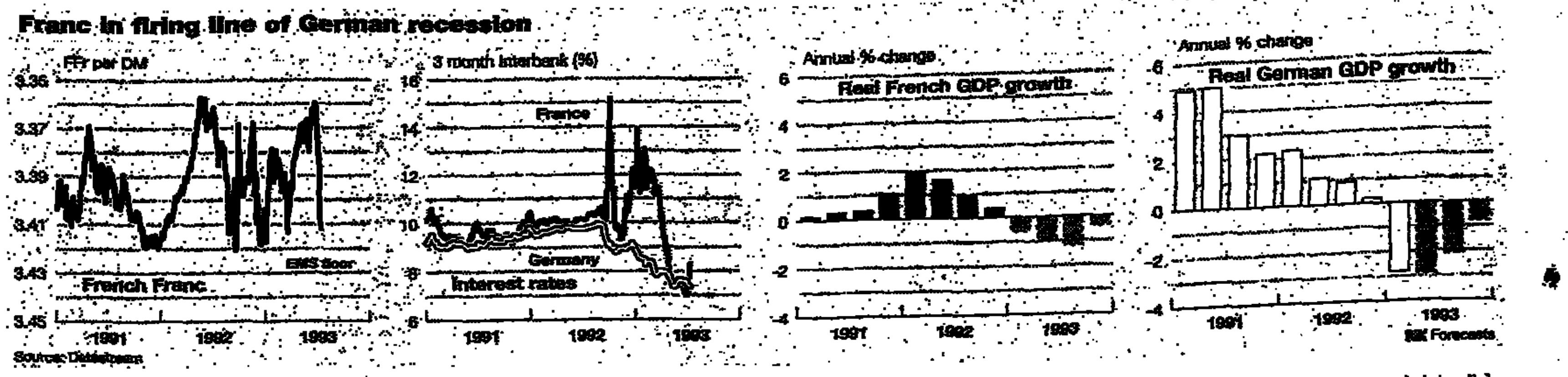
No 32,113 Week No 28 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

# Embattled franc fort prepared to fight off all attackers

Without a common monetary system, there is no Europe. That is French policy. **David Buchan and John Ridding** on the battle for the strong franc

**Franc in firing line of German recession**




IS France ready, in the midst of recession, to raise interest rates to defend the franc, if joint declarations and interventions by French and German politicians and central bankers fail to stem the slide against the D-Mark?

This is the question underlying the plight of the franc. On Monday it dropped to below FFr3.41 to the D-Mark, or within two centimes of its floor in the European exchange rate mechanism, although it steadied yesterday.

In its first three months, the Balladur government has had all its own way. Since early April, French official rates have been cut nine times, while the Bundesbank has only lowered German rates twice.

"The Bank of France has cut its intervention rate from 9.1 to 6.75 per cent since April while keeping the franc stable, said Mr Piers Butler of Baring Securities in Paris yesterday. "Now we are seeing the turnaround."

In 1991 and 1992 France repeatedly showed itself ready to raise rates when necessary. But times are different now. The country is in recession and unemployment rising. Indeed the main catalyst of the latest wave of franc selling – apart from a general rebound in market sentiment about the D-Mark – appeared to be last Thursday's forecast by Insee, France's national statistics institute. It was gloomier than the government in estimating that France's gross domestic product would contract by 0.7 per cent this year while its jobless rate would hit 12.5 per cent by December.

The sight of a government increasingly constrained from raising rates by domestic political and economic factors precisely at the moment when it might need to do so for external monetary reasons, is always an enticing prospect for speculators, as Britain found to its cost last autumn.

In retrospect, it is clear that Mr Edmond Alphandéry, the economy minister, was guilty of a bit of hubris on June 24 when he proudly said: "The franc is performing well, perhaps better than the D-Mark." After the French minister went on to make it appear that he was summoning his German opposite number, Mr Theo Waigel, and Mr Helmut Schlesinger, the Bundesbank president, to Paris for a discussion of "concerted" interest rate cuts, Mr Waigel pleaded pressing business and stayed home.

In the event, no lasting harm was done. The Franco-German economic council meeting has been rescheduled for early August, and co-operation between the two central banks seems as close as ever.

Addressing a joint press conference in Basle on Monday with his French counterpart, Mr Jacques de Larosière, Mr Schlesinger called the franc's problems "temporary", and said that the Bundesbank's co-operation with the Bank of France "is as close as it has ever been".

Much of the franc's "temporary" problem is due to the revival of the D-Mark. Investors, having taken short positions on the German currency in June following a series of pessimistic economic forecasts and warnings from Mr George Soros, the influential currency trader, that the D-Mark was overvalued, have hurried back to the German bond market.

"We have seen a huge shift from French to German bonds," said Mr Alain Galibert, economist at S.G. Warburg in Paris. "Investors felt they were underweight in the D-Mark. They are responding to attractive German bond prices and to improved economic news from Germany."

But many of the fundamentals of the French economy remain very sound, particularly in relation to Germany. France's retail inflation dropped in June to an annual rate of 1.9 per cent. Its superior wage discipline has given it a 15 per cent competitive edge in terms of hourly wage costs over Germany in the past five years. It recorded a FFr16.2bn (£1.85bn) trade surplus in the first quarter of this year, and is set to retain its current account surplus in 1993.

But the flip side of many of these achievements is recession, which has depressed industrial prices, wages and imports. Prime Minister Edouard Balladur is beginning to press on the fiscal accelerator, and promises generalised tax cuts in the autumn. But these would only take effect next year. Despite increased spending already on public works and housing, the French construction industry is still forecasting a 4 per cent decline in activity this year.

In these circumstances, the last thing the government wants to do is raise interest rates, whose recent reduction is also considered essential to giving the stock market a lift before the sell-off of state companies starts in the autumn. Mr Balladur has had a considerable stroke of luck in that the trouble for the franc only began just before subscriptions to his very successful bond issue closed last Friday.

Some 1.4m French bought FFr110bn of the four-year Balladur bonds carrying a 6 per cent coupon, presumably calculating with the recent interest rate decline they could not get a much better return elsewhere. Having got their money, Mr Balladur could now raise interest rates, if he had to.

If that happened, some investors might cry foul. But there is no mistaking the determination of the French political establishment to keep the franc locked to the D-Mark. Mr Balladur himself said this week that he would resign rather than devalue. "If anyone wanted to carry out another policy" of devaluation, protectionism, increasing the budget deficit, "they would first have to change prime minister," he said.

Some backbenchers in Mr Balladur's RPR Gaullist party and the odd maverick within the UDF, its coalition partner, are restive with Mr Balladur's strong money stance. But no one of any import is pressing him to change. Least of all, the president. On nominating Mr Balladur, Mr Mitterrand called for the preservation of the European monetary system, saying that "keeping the franc's parity with the D-Mark is a precondition of this. Without a common monetary system, there is no Europe". That is French policy.

# Schlesinger says tensions in the ERM are 'short term'

By Christopher Parkes in Frankfurt

THE tension within the European exchange rate mechanism is of a "very short-term nature", according to Mr Helmut Schlesinger, president of the Bundesbank.

Attempting to play down pressure on the French franc, he said in Basle that the ERM was more stable than at the time of disruptions last September and December.

Mr Schlesinger claimed the Bundesbank's intervention in support of the French currency showed co-operation between the two countries' central banks was "as close as ever".

However, co-operation is unlikely to extend as far as assistance through further reductions in Germany's leading interest rates at tomorrow's meeting of the Bundesbank council.

On July 1, the Bundesbank cut the internationally important discount rate by half a point to 6.75 per cent and the lombard rate by a quarter-point to 8.25 per cent.

A further move, following so soon after the Group of Seven meeting in Tokyo and this week's squeeze on the franc, could damage the bank's prized credibility by giving the impression that its policy can be swayed by political pressure and "short-term" exchange rate fluctuations.

Germany's latest inflation and money supply figures, the key to the bank's rates policy, have been revised upwards since the last rate cuts, suggesting little room for manoeuvre at present.

Inflation in June was 4.2 per cent a year, compared with 4.4 per cent in January, while the growth in the M3 money supply measure was 6.9 per cent a year, compared with the bank's target of 4.5 to 6.5 per cent.

While M3 expansion is expected to have fallen closer to the upper limit in June, the Bundesbank's latest bout of franc-buying could push it up again, according to Mr Gerhard Grebe, chief economist at the Bank Julius Bär in Frankfurt.

The condition of the franc and the state of the German economy demanded urgent supportive action support, he said yesterday. Even so, he expected no immediate cuts, favouring July 29 – the bank council's last meeting before the summer break – as the most likely and beneficial time.

● German exports rose sharply in March and imports also rose. . According to the federal statistics office, exports in March were almost 7 per cent higher than in February while imports rose 2.9 per cent during the month, bringing the cumulative trade surplus for the first three months of the year to DM9.5bn ($5.5bn).

# German cabinet passes draft law on flexible working hours

By Quentin Peel

A DRAFT law on flexible working hours in German industry was approved yesterday by the German cabinet.

The draft, which will replace 28 existing laws and regulations on working hours, was hailed by Mr Günter Rexrodt, the economy minister, as a leap towards deregulation and improving the competitiveness of German industry.

Among a series of moves to introduce flexibility, the draft law would allow companies to cite cheap foreign competition as a reason for requiring extra production shifts on Sundays and holidays.

The reforms are intended to give individual enterprises and their workers more responsibility for negotiating their own working hours, within limits prescribed by the law.

While the normal working day for wage-earners remains fixed at eight hours, they may work up to 10 hours a day taking time off to compensate for the overtime over a period of six months.

Hitherto they have been required to take the time off within a two-week period.

Workers and employers at individual enterprises will be allowed to negotiate a compensation period of longer than six months, if they wish.

There will be a significant extension of the exemptions to allow for Sunday and holiday working, according to the draft law.

As far as foreign competition is concerned, employers can appeal for the right to introduce Sunday and holiday shifts if they can prove that jobs are threatened by cheaper manufacturers in other countries, where labour hours and other social conditions reduce their costs.

The law, which has to be passed by the German parliament, will also remove existing discrimination on women's working hours, such as night-shift working, although it will continue to outlaw female labour in underground mining.

Mr Norbert Blüm, the labour minister, called on both workers and employers to use all the available flexibility to decide their own working hours.

"We need more creativity and more imagination in fixing working time," said Mr Blüm. "That could produce a significant improvement in productivity."

He insisted, however, that the law would not mean a dramatic change in the enforcement of Sundays and holidays as rest days.

"Sunday should not be a day like all the other days," he said. "People would lose all sense of direction if they worked in a continuous grey time-porridge."

# Community runs out of cash for humanitarian aid to Bosnia

By David Gardner in Brussels

THE European Community, which will face pressure on Friday to commit substantial new aid money to Bosnia, has all but run out of resources from its humanitarian aid budget.

"We've emptied all the drawers; we're dry; we have no money left," said Mr Manuel Marin, commissioner for development and humanitarian aid.

The Commission will this week approve an extra Ecu57.3m ($74.5m), on top of the $872m the Community and its 12 member states have provided for the former Yugoslavia between September 1991 and the end of this June.

But the United Nations High Commissioner for Refugees, which is calling Friday's meeting of aid donors, is looking for $1bn-$1.5bn more for the Yugoslav crisis, on top of the $1.3bn already spent.

The UNHCR is banking on the commitment made by last week's Group of Seven meeting in Tokyo, which agreed in its political declaration that "the flow of humanitarian aid to Bosnia must be increased."

As the donor of two thirds of funding so far, the EC will be expected to provide the larger portion of new money, for what the US and Japan regard as primarily a European problem, according to Mr Marin.

"The Community budget is in no condition to meet these demands," he added, unless the Twelve agree to raise the budget ceiling, a politically difficult decision at a time when all member states are under pressure to cut rising deficits.

Since the Yugoslav crisis began two years ago, the EC humanitarian aid budget has increased tenfold, to around Ecu800m ($924m) a year. But this money is required for emergencies in some 30 countries, among them Somalia, Ethiopia, Angola, northern Iraq, southern Sudan and Cambodia.

A reserve emergency fund of some Ecu300m set up at the end of last year is now virtually exhausted, and limited funds transferred from other areas such as the Phare programme for eastern Europe, or unspent commitments from the Lomé Convention programme for Europe's former colonies, have been used.

Mr Marin is essentially saying the Twelve will have to put their money where, at least, the four EC members of the G7 put their mouths last week.

**HUMANITARIAN AID TO FORMER YUGOSLAVIA**

| | $m | % |
|---|---|---|
| EC | 872 | 68 |
| US | 164 | 13 |
| Japan | 32 | 2 |
| Others | 217 | 17 |
| Total | 1285 | 100 |

# Provinces to benefit at expense of Paris

By David Buchan in Paris

THE French government plans to give more money to poorer regions of the country and relatively less to Paris over the next five years in an attempt to restrain the capital's congestion and economic dominance.

Approximately 10.6m people live in greater Paris, nearly a fifth of the population. As part of a five-year planwhich it will legislate in the autumn, the government said this week it aimed to limit the greater Paris population to 11.8m by the year 2015, and to redeploy up to 30,000 civil servants to the provinces by the year 2000.

● A French appeal court yesterday confirmed a four-year prison sentence on the former head of the national blood bank, Mr Michel Garretta, for knowingly distributing Aids-contaminated blood products to haemophiliacs.

The court, ruling after an appeal by former health officials accused of involvement in France's worst modern health scandal, also confirmed that Mr Jean-Pierre Allain, ex-director of transfusion research, should serve four years with two suspended. About 1,250 haemophiliacs were infected over a period up to the end of 1985. More than 300 have died.

# Italy to contain budget deficit with spending cuts

By Robert Graham in Rome

THE Ciampi government intends to hold down the 1994 budget deficit to L150,000bn (£64.4bn) through swingeing spending cuts and only limited extra revenue from taxes.

The combined effect of these measures will be to save L32,000bn on previous projections. Officials involved in the preparation of the budget estimate that without this, the rise in the public sector deficit would push the figure beyond L180,000bn.

As much as two-thirds of the L32,000bn will come from spending cuts, affecting both current expenditure and investment. The 1993 budget was obliged to find L93,000bn to hold the deficit to L145,000bn – L150,000bn, but the emphasis then was on a bigger tax take, while spending tended to be frozen rather than cut.

In contrast, officials involved in the preparation of the 1994 budget say fiscal pressure will be lowered 1.4 per cent next year. With the public unhappy at having to pay out unprecedented quantities of money this year in various taxes, a further tightening of the fiscal net risks being unproductive. As a result, the emphasis will be on improving the efficiency of tax collection and simplifying the way in which taxes are paid.

On top of an across-the-board cut of 3 per cent in each ministry's spending, the government is looking at the health, welfare and education budgets for additional savings. Considerable savings can be achieved through a freeze on job creation especially in teaching where the education ministry has continued to recruit extra teachers despite a stagnant population.

Mr Salvatore Ligresti, one of Italy's richest businessmen, was freed yesterday after questioning on corruption charges. Mr Ligresti now awaits trial over L13bn (£5.58m) of bribes his insurance company SAI SpA is alleged to have paid to secure a contract from state energy company Eni.

In health, reforms introduced in the 1993 budget are only just being felt and the ministry's L100,000bn budget has overrun by L14,000bn. Yesterday, one of Italy's research institutes claimed there were at least L11,000bn worth of unproductive expenditure in the health budget.

Mr Carlo Azeglio Ciampi, prime minister and former Bank of Italy governor, will explain the budget to parliament on Thursday.

It is the first time in the post-war era that a budget for the coming year has been prepared so quickly. Normally, the budget is not presented until close to the obligatory cut-off date of September 30. But the current plan was outlined by Mr Giuliano Amato, the previous prime minister, and pursued by Mr Ciampi to underline Italy's commitment both to tackle the country's budget deficit, which has reached over 10.5 per cent of GDP, and begin to cut the level of debt, equivalent to nearly 110 per cent of GDP.

The macro-economic projections for the next three years showed 1994 growth of 1.6 per cent rising to 2.5 per cent by 1996.

# Serra to be economy minister

By Tom Burns in Madrid

SPANISH prime minister Felipe González yesterday gave his deputy premier Narcis Serra overall responsibility for economic policy and appointed Mr Pedro Solbes, a technocrat with an EC background, to head the finance ministry.

The appointments, which follow last month's narrow election win by Mr González's socialist party (PSOE), were part of a wide-ranging government reshuffle that brought eight new members into the 17-strong cabinet.

Facing what amounts to Spain's worst recession for 30 years, the new economic team is unlikely to apply harsh measures to lower wage costs, cut government spending and deregulate the economy.

Mr González excluded representatives of the PSOE's left wing from the cabinet, gave minor cabinet jobs to six independents, three of them women, and kept Mr Javier Solana as foreign minister. Mr Solana is, like Mr Serra, a stalwart of the ruling party's social democrat wing and both ministers have served in all Mr González's governments since 1982.

The challenges facing the new government were underlined by CPI figures released yesterday. Year on year inflation was up 0.2 per cent to 4.9 per cent. The rise reflected the impact of the peseta's mid-May devaluation – the third in the space of nine months – on energy costs.

Mirroring an excessive wage growth that has become one of the economy's chief weaknesses, underlying inflation, excluding food and energy prices, rose 0.4 in June to post a year on year figure of 5.9 per cent.

# Russia tells Asian states to decide on allegiance

By John Lloyd in Moscow

RUSSIA yesterday told the central Asian states of the former Soviet Union to "choose between north and south" for their economic and political orientation. The warning was the clearest yet that Russia is not prepared to tolerate the indiscipline and indecisiveness within the Commonwealth of Independent States that marked its first 18 months of existence.

Mr Alexander Shokhin, the deputy prime minister, said yesterday that the recent agreement by Russia, Ukraine and Belarus to form a close economic union was partly a reaction to the participation by Kazakhstan, Uzbekistan, Kyrgyzstan and other states in the meeting of the Organisation for Economic Co-operation convened by Turkey in Istanbul 10 days ago.

Mr Shokhin said that conference decisions to create a customs union and common market and declare that Armenia was the aggressor in the struggle with Azerbaijan for control of Nagorno Karabakh were incompatible with membership of the CIS. The three Slav states of Russia, Ukraine and Belarus comprise about 80 per cent of the commonwealth's population.

"If our friends in the CIS, in their search for a better life, are looking towards the south, then they will have to choose between integration with Russia or with their southern neighbours," Mr Shokhin said.

He said Mr Nursultan Nazarbayev, the Kazakh president, had given a "very weak reason" for participation in the conference, in which he cited Russia's reluctance to advance credits to Kazakhstan. Mr Shokhin said that Russia had put aside Rbs800bn in inter-state credits to the CIS members in 1993, including Rbs150bn for Kazakhstan, but that no agreement had yet been reached on the use of these funds.

The idea for the agreement between the three Slav states, Mr Shokhin said, had been worked out largely between Russia and Belarus. However, Ukraine decided to join because of its concern over the apparent defection of Kazakhstan. However, Mr Tulegen Zhukeyev, the state adviser to Kazakhstan, yesterday told the Interfax news agency that the decision to participate in the conference did not exclude continued participation in the CIS. "The markets of these countries are quite comparable and could supplement each other," he said.

Mr Zhukeyev said that the idea of forming a closer economic union within the CIS had been long advocated by Mr Nazarbayev.

# MEPs snub Khasbulatov

By Lionel Barber in Strasbourg

THE speaker of the Russian parliament, Mr Ruslan Khasbulatov, was unexpectedly snubbed by the European parliament yesterday after a cross-party revolt in favour of President Boris Yeltsin.

Mr Khasbulatov, flanked by armed bodyguards, arrived in Strasbourg on Monday in search of international recognition. The long-planned visit came just after Mr Yeltsin was feted at the Group of Seven summit in Tokyo.

But the Russian's campaign ran into opposition from MEPs who denounced him as an enemy of democracy and called for a boycott of all contacts with the delegation of visiting Russian parliamentarians.

Criticism proved so fierce that Mr Egon Klepsch, president of the European parliament, cancelled a meeting with Mr Khasbulatov due to take place yesterday morning. However, a separate meeting between MEPs and the Russian delegation took place in the afternoon.

Lord Bethell, a British Conservative and long-standing critic of human rights abuses in the former Soviet Union, led the anti-Khasbulatov campaign in favour of Mr Yeltsin. "Our sympathies are with the elected president of Russia. Khasbulatov is a proven enemy of democracy," he said.

He was joined by Count Otto von Hapsburg, the German Christian Socialist and descendant of the imperial family. Mr Khasbulatov was pursuing Communist goals in league with extremist forces of national bolshevism, he said.

The European parliament invited members of the Russian parliament to come to Strasbourg as part of its expanding contacts with legislatures in the former Communist countries of eastern and central Europe.

Mrs Magdalene Hoff, a German SPD member of the parliament, defended the invitation. "We are not under any illusions here. But I believe in dialogue, not monologue."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone 49 69 156 850, Fax 4969 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: THE AMERICAS

Loans reach record $23.7bn

# World Bank lending soars

By George Graham in Washington

THE WORLD BANK increased its lending by $2bn to a record $23.7bn over the past 12 months, with a sharp rise in new loans to recent members in eastern Europe and the former Soviet Union.

But political turmoil and a shift in the bank's lending strategy, away from adjustment lending and towards individual projects, led to a fall in lending to Africa.

New commitments there dropped to $2.8bn in the 1993 accounting year which ended on June 30, compared with $4bn in the previous 12 months.

Commitments to Europe and central Asia rose to $3.8bn, compared with $2.1bn in the previous year, largely because of $1.63bn in loans to eight countries of the former Soviet Union which have just joined the bank.

Overall, new commitments from the International Bank for Reconstruction and Development, the core of the World Bank group, climbed to $16.9bn for 122 projects, compared with $15.2bn for 112 projects in fiscal 1992.

The International Development Association, the bank's unit which provides low interest loans to the very poorest countries, committed $6.8bn to 123 projects in fiscal 1993, compared with $6.5bn for 110 projects in the previous year.

The bank said preliminary figures for disbursements, or money actually handed over to borrowers, showed an increase to $18bn compared with $16.5bn in fiscal 1992.

While IDA commitments have been climbing steadily since 1988, IBRD lending has been more stagnant, fluctuating between $15bn and $16.4bn for several years.

Earlier this week, the bank unveiled a set of changes in management practices designed to address criticism of over-emphasis on new lending, and to improve the quality of its projects.

Reviews of its portfolios in countries such as India and Brazil has led to $2.3bn of projects being cancelled outright, although most of the savings are redirected towards other needs in the same countries.

# Subpoena for Bush in BNL affair

By Alan Friedman in New York

FORMER President George Bush has received a subpoena to testify and provide documents in the long-running case involving more than $5bn of Iraqi loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

Mr Bush has consistently denied any wrongdoing by the government in the BNL affair. It is not known yet whether he plans to contestthe subpoena.

The subpoena, filed by the lawyers of Mr Christopher Drogoul, former BNL Atlanta manager, calls for the ex-president to appear in September at Mr Drogoul's trial in Atlanta. It seeks from Mr Bush 37 documents, including records of conversations with both Mr Giulio Andreotti, former prime minister of Italy, and Mr Boyden Gray, Mr Bush's White House counsel.

Mr Drogoul, who is accused of masterminding a multi-billion dollar loan effort that funded Iraq's nuclear and conventional weapons programme, has changed his plea from guilty to innocent.

George Bush: Lawyers for former BNL manager Christopher Drogoul want his testimony

Last autumn, as the BNL controversy came to a boil in the closing stages of the US presidential election campaign, a federal judge in Atlanta said he suspected a US government cover-up and stated that CIA documents proved that the Bush administration knew about and interfered with the BNL case.

Mr Robert Simels, Mr Drogoul's defence lawyer, said yesterday the Bush subpoena was designed to prove that his client was merely a tool in a broader effort by the US, Italian and British governments to help Iraq's President Saddam Hussein during his eight-year war against Iran.

"The aim is to compel the former president to appear, and to produce documents that relate to his knowledge of US foreign policy towards Iraq in the 1980s, coupled with his efforts to assist Iraqi purchases backed by loan guarantees from the US government," Mr Simels said. "We also want to show Mr Bush's communications with Prime Minister Andreotti and the Italian government on this matter."

Mr Simels said a subpoena had also been issued to Kissinger Associates, the consultancy headed by Mr Henry Kissinger, former US secretary of state. He is seeking to quash the subpoena.

# Canada senate cancels its rise

By Bernard Simon in Toronto

LAWMAKERS around the world who contemplate voting themselves large pay rises in tough times may wish to take note of the recent humbling experience of the Canadian senate.

The upper chamber of parliament has bowed to a public outcry by rescinding a C$6,000-a-year (£3,180) rise in expense allowances, which it approved less than three weeks ago.

"The senate made a mistake on June 23, and public opinion on a matter of this kind must be respected," said Senator Lowell Murray, government leader, at a special session convened on Monday night to overturn the increase.

The 104 senators owe their seats to patronage appointments by former Conservative and Liberal prime ministers, but they are at present a little more sensitive to public opinion than usual.

With a general election coming up within the next four months, both the Conservatives and Liberals want to avoid anything that might risk driving voters into the arms of smaller parties, several of which favour either abolition or drastic reform of the Canadian federal parliament's upper chamber.

The senators could not have chosen a worse time to award themselves an increase.

The province of Ontario has just passed a law requiring 950,000 civil servants to accept a three-year pay freeze and 12 days of unpaid leave a year.

With the national unemployment rate at 11.3 per cent and inflation at 1.8 per cent, most private-sector workers can look forward to, at best, a token pay rise this year.

Faced with the combined opprobrium of their party leaders, the media and the public, the senators meekly accepted that an increase was not such a good idea after all.

The vote to rescind the extra allowance was 80-1, with two abstentions.

The about-turn is "not a humiliating thing," Senator Murray declared, but "the right thing."

Not all his colleagues agree. The lone senator from New Brunswick who stuck by his original vote noted that the arguments made last month, in support of more generous travel and accommodation allowances, still applied.

"I've seen nothing to change my mind," he said.

# Wholesale prices come down in US

By Michael Prowse in Washington

US WHOLESALE prices fell last month, indicating that inflationary pressures are moderating, the Labour Department reported yesterday.

The producer price index for finished goods fell 0.3 per cent in June, the biggest monthly drop in two years. The annual rate of wholesale price inflation fell to 1.4 per cent against 2 per cent in May.

The decline in inflationary pressures was led by a 0.9 per cent drop in food prices in June compared with May, and a 0.5 per cent fall in energy prices. However, excluding the volatile food and energy components, the core producer price index fell 0.1 per cent. In May, core producer prices rose a modest 0.2 per cent.

If consumer price figures due today are equally encouraging, the Federal Reserve is likely to become more relaxed about the inflation outlook. In May, after a series of unexpectedly large price increases, it shifted to a bias towards raising short-term interest rates. An early rise in rates is not now expected.

Analysts said severe flooding in the Midwest was already pushing up some agricultural prices, but the sluggishness of the economic recovery was expected to prevent them feeding through into a broader increase in inflation.

# Rescue plan for Everglades agreed

By Lisa Bransten in Washington

FLORIDA sugar-growers and state and federal officials yesterday agreed in principle on a plan to clean up the endangered Everglades, ending a five-year legal wrangle.

The plan, announced by Mr Bruce Babbitt, interior secretary, is the latest in a series of compromise deals worked out by the Clinton administration to settle disputes between business and environmental interests.

Under the agreement the sugar-growers have promised to spend up to $322m over 20 years to reduce pollution from fertilisers and increase the flow of water to the Everglades, one of the world's most famous swamp areas and home to a huge variety of plant and animal species.

The federal government will seek to contribute about $161m through flood control projects and the services of the Army Corps of Engineers. The state of Florida may also contribute funds to the project.

A further $21.8m per year could be raised from from a special local tax, although this must be approved by voters.

The plan has emerged after a series of lawsuits by federal officials and environmentalists. Phosphate fertilisers running off from sugar farms have caused new vegetation to choke native plants. Changes in the course of the Kissimmee river also damaged the Everglades by cutting water supplies.

While some environmental groups gave general support to the plan, criticism is already emerging from environmentalists such as the Audubon Society, who say they were excluded from the negotiations.

Issues left unresolved by the framework agreement include the timetable, construction schedules and water quality standards, Mr Babbitt said.

One issue that promises to be contentious is whether sugar-growers can be asked to contribute more money in 20 years if the goals of this project are not reached.

# Menem election push opposed

By John Barham in Buenos Aires

THE Catholic Church and the conservative press, two pillars of Argentina's establishment, yesterday attacked President Carlos Menem's campaign to seek a second term when his present mandate ends in 1995.

His re-election effort has become the main political issue in Argentina because it would require a constitutional amendment. A presidential incumbent may not serve the next term.

Unlike Mr Menem's free market economic reforms, his re-election drive has aroused strong opposition from business and led to renewed attacks by the Church.

Yesterday, the influential conservative newspaper La Nación condemned Mr Menem's plan for a plebiscite to accelerate the amendment.

Plebiscites are not binding on congress, but the opposition fears the government would use a likely majority to intimidate congress into backing an amendment.

The Church's magazine, Criterio, asked in an editorial if Mr Menem's re-election effort were due "only to the attraction of power" or to "the necessity to perpetuate a group in power so that acts of corruption are not investigated".

The Church is divided over Mr Menem's economic strategy, with conservatives backing his policies and liberals demanding greater social justice. However, both wings appear to have united in opposition to his re-election.

The attacks on Mr Menem follow the formal proposal last Thursday by Peronist (government party) senators to amend the constitution. They suggested broadening civil rights and strengthening the judiciary, as well as lifting the re-election ban.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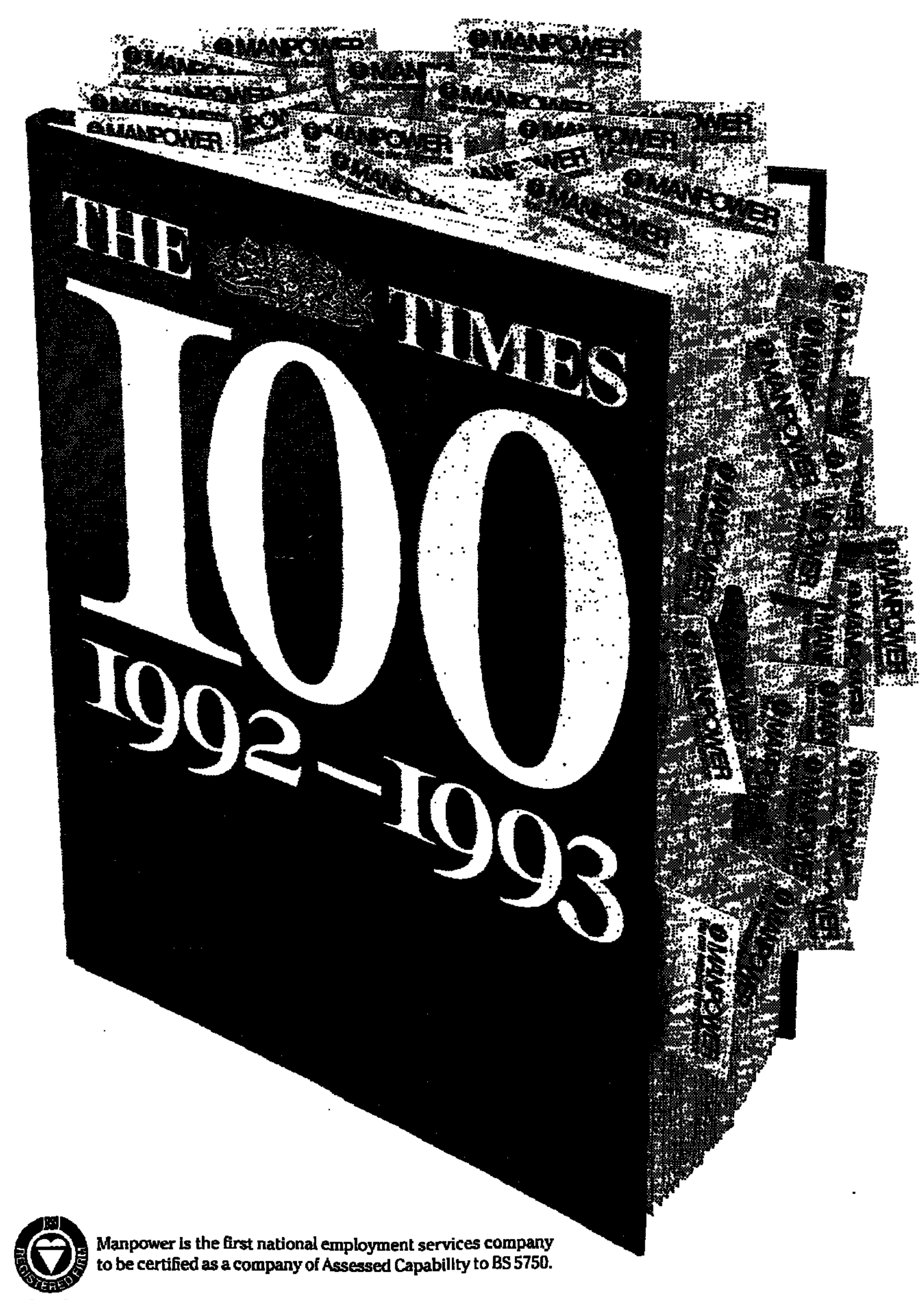


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ITC staff report will bear on dumping decisions

# Import prices 'often higher' than US steel

By Nancy Dunne in Washington

THE PRICE of steel imported into the US is often higher than the steel sold by the American mills which are accusing their foreign competitors of widespread dumping, according to a report produced by the staff of the International Trade Commission.

The ITC's staff report forms part of the record for the agency's six commissioners when they weigh their decisions on 72 flat-rolled dumping and subsidy steel cases now moving towards conclusion. Injury findings in the controversial cases are due on July 27.

"Imports generally cost twice as much as domestic steel," said a senior ITC staff member, who asked not to be identified. Often the foreign products are of higher quality, or capable of special use, and price is not a factor.

In fact, high-quality imports often cost so much more that a lawyer defending South Korea before the ITC introduced commissioners to a "dummy theory" – arguing that US steel customers had to be "dummies" if they are buying from abroad a product they can get domestically and paying more.

The prices charged for steel imports could be the key to the 72 cases against foreign companies, which are accused of depressing US prices. About $3.2bn (£2.2bn) in preliminary tariffs have been levied against them, but the duties would be lifted if the ITC fails to find that imports are the cause of the US industry's troubles.

A survey conducted by the non-partisan ITC staff found that price is rarely an issue when US manufacturers purchase foreign steel products. More often, the steel is purchased for reasons of quality, reliable supply or superior technical support – the reasons they buy from Americans.

According to the survey, users also buy from domestic sources because of shorter lead times between orders and delivery, because of "Buy American" policies, and of scope for placing smaller minimum orders.

Several purchasers said they would not buy any foreign steel if comparable domestic products were available at lower prices; others said they bought imports because a comparable product was not available from domestic mills.

The staff also found that foreign companies as a whole had increased market penetration for hot-rolled steel. The share steadily increased from 13.2 per cent in 1990 to 15.3 per cent in 1992. However, the increases were captured by Canada, South Korea and the Netherlands, while other countries' shares were constant or declined.

Lawyers representing foreign producers were pleased with the staff report, but say the ITC commissioners are unpredictable and sometimes biased towards the domestic industry.

The senior ITC staffer confirmed that impression. "A minority of commissioners vote on the merits of the individual cases," he said. "We look at the decisions. . . and they're from Mars."

Mr Jim Bovard, an expert on the "unfair trade" laws, said the commission could look at the higher prices and rule the defendants guilty of "quality dumping" – meaning that the price difference is less than the quality difference, and the foreign steelmaker should charge more even if prices are higher.

"The decisions are often written by the commissioners' staffers," he said. "They are political animals."

Meanwhile, US steel users have organised to lobby against the industry's effort. They say the higher prices resulting from the tariffs will make their products uncompetitive on export markets.

The Coalition of American Businesses for Stable Steel Supplies said the high tariffs hurts small business which is expected to generate most of the country's new job.

"Supply instability and higher prices will reduce the competitiveness of literally thousands of American companies that employ perhaps up to 8m American workers," the group said.

# UK interest in trans-Andean pipeline

Michael Portillo: led delegation to Chile

By David Pilling in Santiago

FIVE British companies, among them British Gas, Rolls-Royce and British Steel, are discussing possible participation in the trans-Andean gas pipeline with a Chilean consortium.

The project, expected to cost $1.2bn-$2bn, will carry gas from southern Argentina to Chile's capital, Santiago, a distance of 1,200km.

UK company executives visited Chile recently as part of a delegation led by Mr Michael Portillo, Britain's chief secretary to the Treasury. They discussed participating in transmission and distribution work with Chilectra and ENAP, which hold the gas supply contract.

The project has a target completion date of late 1996.

Mr Portillo said the broader aim of his trip was to raise Chile's profile among UK businesses. Although Britain had historically been a big investor in the country, it had been slow to exploit recent opportunities outside the mining sector.

Chile's economy, though relatively small, is one of the fastest growing in Latin America. Its exports are equally divided between Europe, Asia and the Americas.

Mr Portillo, who said ministers had assured him of the country's commitment to free trade, is keen to speed up two bilateral trade deals: a double taxation accord and an investment promotion and protection agreement. After talks with Chile's foreign minister, Mr Enrique Silva, he expressed confidence that the taxation accord would be signed "before the end of the year".

# Cash sought for Danube bridges

BULGARIA is looking for foreign investors and partners to build its share of two new bridges across the River Danube, officials said yesterday, Reuter reports from Sofia.

Bulgaria and Romania plan to build the bridges across their Danube frontier to ease a heavily congested route that links central Europe, several former Soviet republics and the Middle East.

"We are inviting foreign bids for the construction of the bridges," said Mr Matey Donchev, technical director of Bulgaria's Danube bridges directorate. Neither country had the money to construct the bridges and would have to rely on investment from abroad.

Officials have estimated the cost of each bridge at $120m (£81m). They would be built over the next four years and customs posts will be combined to save time.

Mr Donchev said Mitsubishi from Japan had shown interest in the project, as had other companies from South Africa, Turkey and Austria.

Only one bridge links Bulgaria and Romania at present and it is severely congested because of diverted traffic from the former Yugoslavia, wracked by civil war.

It is planned that one road and rail bridge will link the Bulgarian river port of Vidin with the Romanian town of Calafat, and the other will connect Oryahovo on the Bulgarian side with and the Romanian town of Beket.

# GEC-Alsthom backed in Indonesia power bid

By William Keeling in Jakarta

GEC-ALSTHOM, the Anglo-French supplier of electricity generation equipment, has gained support in the Indonesian parliament, in the bitter fight to win contracts for two 300MW power stations.

Mr Erie Soekardja, deputy chairman of the Indonesian parliamentary energy commission, has called on the government to explain why a rival bid has been favoured, even though it is significantly higher than that tendered by GEC-Alsthom.

PLN, the country's state-owned electricity company, recommended last May that the German operation of ABB, the Swiss-Swedish group, and Mitsubishi of Japan should build the gas-powered stations, at Muara Tawar in West Java and Pasuruan in East Java.

Some $23bn of investment in new capacity for the power network is planned in the period 1994 to 1999, and, according to one industry official, the companies "are playing rough and ready business politics" to win a share of it.

Antara, the state-owned news agency, says GEC-Alsthom has written to Indonesian President Suharto, setting out its bid of $500 per kilowatt, valuing the stations at $150m each, and a commitment to complete them by September of next year.

The bid by ABB and Mitsubishi, it claims, represented $623 per kilowatt, valuing the plants at $187m each, and offered completion by March, 1995.

PLN says that its recommendation was based on the proven track record of ABB and Mitsubishi in Indonesia.

Industry officials also suggest that technical variations in the proposals could account for the cost difference.

## Correction

PDV S.A. of Venezuela was wrongly referred to as the state oil company of Colombia on page XV of FT Exporter (June 29). The Colombian national company is Ecopetrol.


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# Eastward with success in glass

**Ronald van de Krol** visits a Philips factory venture in Poland

Trade across Europe

THE easiest way to measure the transformation of Poland's biggest lighting company is to look for broken glass – or a lack of it – at its production site.

Before Philips of the Netherlands took a majority stake in Polam-Pila, in 1991, the company had to produce 170 glass tubes to end up with 100 fluorescent lights.

This was because 70 per cent of all glass tubes broke, cracked or ended up faulty. The tell-tale signs of inefficiency were the shards of glass littering the factory floor.

Now – after investments in a new glass furnace, intensive training of staff and the advent of stringent quality control – Philips Lighting Poland, the new Polam-Pila, needs to produce just 112 tubes for every 100 effective fluorescent lights. This ratio compares well with the 108:100 achieved by Philips factories in such places as the Dutch town of Roosendal.

Showing off his new, computer-driven quality-control system, Mr Stanislaw Kozlowski, the 42-year-old general manager, says: "Before, we had four grades of quality that we checked for. Now we accept only one type of quality – the best."

The sharp improvement, achieved by a 3.5-fold increase in annual investment to Fl 21.8m (£7.6m) means that the company, at Pila in north-western Poland, is now allowed to export some of its products to the Philips sales organisation in the Netherlands.

This effectively puts a small portion of its production on a par with that of the 11 other lighting plants maintained by Philips in western Europe.

Still, the Polish company has a long way to go, despite turning in a small profit for 1992 after running up a loss in 1991.

The contrast between the new and the old is vividly highlighted by Building 61A – a showcase of new Philips-built equipment – and Building 48, described by one manager as an "industrial archaeological museum."

Indeed, inside the hall, pride of place is reserved for two machines dating from the 1920s. These were confiscated from the old Philips factory in Warsaw, after nationalisation in 1948, and are no longer in service. The rest of the machines in the hall are virtually carbon copies of this original, outdated, machinery.

For Philips, Polam-Pila is an important step in its plans for eastern Europe, giving it a strong foothold in the region's biggest market and access to a company with a proven record in exports.

In 1992, exports accounted for nearly 60 per cent of sales of $55m (£37m). Most of these were to store chains in North America and Britain, which sold the lamps under their own labels.

Russian exports, hit by turmoil in the former Soviet Union, have started to recover, now that sales are denominated in dollars and linked in a complex counter-trade arrangement to Polish imports of Russian oil.

The Polish investment is important because it marks a departure from the normal Philips practice. Instead of stationing a team of expatriate managers in Poland, the Dutch company chose at the outset to work with local management under Mr Kozlowski, whose 80-hour week is testimony to the challenge of switching from a command economy to a free market.

In many ways, the success of Polam-Pila under Philips is an extension of its impressive achievements under the constraints of communism. The company used to be bound to follow ministerial edicts from Warsaw, but it was allowed to start exporting to the west in the 1970s and to expose itself to the rigours of self-financing in the 1980s.

"In spite of adverse conditions, they had developed according to their own philosophy, they were motivated and they were serious," according to Mr Einar Kloster, president of the Philips lighting division.

Mr René van Reeth, a divisional director and key adviser to the Polish team, says: "This use of local management is something we may want to try elsewhere." Philips, which has light bulb factories from Nigeria to Indonesia, is keen to expand.

Its eyes are firmly set on China.

Its efforts in Poland are frequently contrasted with the acquisition of Hungary's Tungsram lighting group by General Electric of the US.

The US company has made intensive use of expatriates and of Hungarian-American managers, and job losses have been heavy.

A direct comparison, however, is difficult because Tungsram is four times larger than Polam-Pila, and has six production sites instead of one.

Even so, only 500 out of 3,500 jobs have been lost in Pila, underlining the fact that the Polish factory had never known the over-staffing common under the former, communist system.

The labour force in Poland has had to adjust to new circumstances. Early expectations of western wages were dashed by a temporary freezing of salaries, causing some short-term labour unrest which has since abated.

Also, the Polish management put a halt to the old practice of paying people according to the number of light bulbs produced, regardless of quality.

"Over a year, we gradually abandoned paying people on the quantity of their output," Mr Kozlowski says. "Payment is now on the basis of a monthly salary, with the possibility of a small bonus to keep quality discipline."


DAEWOO TELECOM

DAEWOO TELECOM LTD.
(the "Company")
USD 50,000,000
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(the "Bonds")

NOTICE OF ISSUE OF NEW SHARES

NOTICE IS HEREBY GIVEN to the holders of the Bonds that at a meeting of the Board of Directors held on 10th June, 1993, the Company resolved to issue new shares under the following terms and conditions:

1. Type and Number of Shares: 3,368,212 ordinary shares in registered form
2. Issue Price: 14,600 Korean Won per share, tentatively
3. Allocation of New Shares: 673,642 shares shall be allocated for the subscription by the employees of the Company according the Law on Fostering the Capital Market in Korea, and the remaining 2,694,570 shares shall be allocated to the shareholders registered on 24th July, 1993 in the proportion of 0.16000003 share per one share.
4. Record Date: 24th July, 1993
5. Subscription Period: 26th August, 1993~27th August, 1993
6. Payment Date: 8th September, 1993.
7. Others:
   1) The proportion of allocation can be adjusted by converting the convertible bonds.
   2) Fraction of shares and unsubscribed shares shall be disposed of by a resolution to be passed at a meeting of the Board of Directors.
   3) The actual issue price will be determined at a later date pursuant to the regulations of the Korean Securities and Exchange Commission.
   4) Any adjustment to the conversion price as a result of the issue of the new shares will be notified in due course.

July, 1993 DAEWOO TELECOM LTD.



# Bosnia: when, if ever, will the new Crusade stop?

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The Balkans have been a battlefield of two great civilisations. A new phase of the old struggle has begun. We have seen a glimpse of the methods the West and its surrogate will use against Islam. Where will the axe fall next?

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We invite, ulama, academics, specialists, activists and students from all parts of the world to participate. Those interested should first write requesting a conference paper and a formal invitation.

Dr Kalim Siddiqui

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# Rising death toll stokes Somali hatred against UN

## The crusade against General Aideed has damaged the peacekeepers' claim of impartiality, writes Leslie Crawford

THE killing of four journalists in Mogadishu on Monday – shot, stoned and clubbed to death by a mob seeking revenge for its own dead – has laid bare how tragically the United Nations humanitarian mission in Somalia is unravelling.

Since the UN launched its night-time bombing raids over the capital in retaliation for the slaying of 24 Pakistani soldiers last month, gunmen loyal to General Mohamed Farah Aideed have turned south Mogadishu into an urban guerrilla war theatre.

The rising death toll – 35 UN troops, more than 100 Somalis – and the UN's decision to single out Gen Aideed as the chief villain in a land of feuding warlords, has stoked Somali hatred against what is now perceived by many as a foreign occupation force.

On Monday, after American Cobra helicopters bombarded a compound in the heart of the city, the hatred spilled over to encompass all foreigners.

The journalists who were mobbed and killed at the bombed compound were well known to the residents of south Mogadishu. These Somalis used to entreat foreign reporters to come to see the destruction wrought by UN forces. Mr Dan Eldon, a 22-year-old British-American Reuters photographer, was so well known in the area after working there for a year that he had been nicknamed the "Mayor of Mogadishu". That he should have been stoned to death indicates how radically the mood has changed.

The UN's crusade against Gen Aideed has made the general into a local hero, when only a few months ago his authority was waning. It has also damaged the UN's claim to be an impartial policeman and further undermined its credibility among Somalis.

Accounts of the recent attack diverge significantly. Gen Aideed's National Somali Alliance claims a meeting of clan elders was taking place when the compound came under attack. It says 74 people were killed and more than 200 wounded.

But Mr Barry Walkley, the UN spokesman in Mogadishu, insisted yesterday that the compound was a command centre and rallying point for Aideed militia. "We are convinced there was no loss of innocent lives during Monday's assault," he said. "UN troops counted 13 militia [members] dead and 15 wounded, maybe more. There is no way 70 people could have been killed.

The question of UN-inflicted civilian casualties is straining relations among the 20-odd national contingents that comprise the 20,800-member UN peacekeeping force

Suspicion, mistrust and national rivalries are undermining the UN's military command structure, formally under the authority of Turkish Gen Cevik Bir but led in practice by Gen Thomas Montgomery, commander of the US forces in Somalia.

The 2,600-strong Italian contingent is now allegedly taking its orders from Rome and has refused to follow instructions from the UN command. Leading Italian newspapers were united yesterday in their condemnation of the US-led assault, after Mr Fabio Fabbri, defence minister, openly called for the suspension of all UN combat operations in Mogadishu.

Rome fears the UN is sinking deeper into a military quagmire in Somalia and is reluctant to become involved in a prolonged, senseless conflict. Mr Fabbri's remarks earned him a sharp rebuke from Mr Boutros Boutros Ghali, the UN secretary general, who said it was unacceptable for any troop contingent to take action outside UN command.

UN officials distrust what they see as Italy's separate agenda in its former colony. They suspect the Italian contingent may have struck a deal with Gen Aideed's Habir Gedir clan following the deaths of three Italian soldiers earlier this month.

They believe the Italians may have created a safe haven for Gen Aideed's gunmen and perhaps even for the fugitive warlord himself.

Aid agencies too are increasingly critical of the UN's military operation for losing sight of its political and humanitarian objectives.

"We are primarily concerned with the unnecessary loss of innocent lives," said Mr Howard Bell of Care International, who was in Mogadishu during Monday's assault. "Our relations with the military have deteriorated in the past month. It has become difficult to plan relief work as we cannot always rely on military escorts."

Care has withdrawn all but three foreign aid workers from Mogadishu due to the precarious security conditions in the capital. It says it has not been able to supply its 35 feeding centres there on a regular basis since the UN launched its military strikes in June. Before then, Care was feeding 175,000 displaced Somalis in the capital every day.

The UN, however, insists that any idea of reconciling rival clans and promoting a political dialogue cannot be achieved until Gen Aideed's militias have been disarmed. "We need more troops," said Mr Walkley. "This country is awash with weapons and we are not naive about the enormity of the task. Security has become our paramount concern."

But Mr Walkley admits that the UN is operating virtually under siege in the capital. It has retreated into a heavily fortified compound on the outskirts of town. UN staff are not allowed outside the compound and are transported to the airport and other sights by helicopter.

Outside the capital, he says, progress is being made in bringing clan elders together for talks. Kismayo, the southern port, is reported to have been peaceful since two rival warlords were banished, and truces have been negotiated in other areas.

But other Somalia watchers doubt whether the UN has the ability to fulfil its aims. "The UN is being naive if it thinks it can transform a desert region of nomadic tribes into a model democracy," said Dr Murray Watson, a scientist who lived in Somalia for 14 years. "I cannot think of a worse test case for the UN's new role as global policeman. They simply don't have enough experts to know what they are doing."

He said: "Somalis have a tradition in which blood crimes are repaid with blood. For the past month they have been counting the death toll inflicted by the UN. Foreigners will be killed in Somalia, whether they wear a Blue Helmet, a nurse's uniform or a camera."

### BOUTROS GHALI WARNS ON UNPAID BILLS

THE United Nations faces a financial crisis of unprecedented dimensions because member states have not paid peacekeeping bills, notably in the former Yugoslav republics and Somalia, Mr Boutros Boutros Ghali, secretary general, said yesterday, writes Michael Littlejohns, UN Correspondent, in New York.

With arrears on regular budget and peacekeeping accounts already exceeding \$2.3bn, he warned of the high probability that the UN soon would be unable to meet its day-to-day obligations.

Evidently alluding to the US and Russia, Mr Boutros Ghali said two-thirds of the amount was owed by permanent members of the Security Council, the UN's primary peacekeeping authority. By May 31, only 10 member states had paid peacekeeping assessments in full and only eight had paid their regular dues. He noted that in only one year in the last 10 had regular budget collections exceeded assessments and only once had the total outstanding balance been lower at the end of the year than at its beginning.

As the UN placed more and more troops in the field, peacekeeping assessments since last September, totalling \$1.7bn (£1.1bn), exceeded the entire 1993 regular budget. Calling the outlook "bleak", Mr Boutros Ghali said he had already had to meet shortfalls from a newly established peacekeeping reserve fund, although that was not its purpose. Countries that provided troops were having to wait for reimbursement. Officials said this was one reason why the UN was experiencing serious difficulties in assembling peacekeepers.

# IMF directors to review Vietnam debts

By George Graham in Washington

DIRECTORS of the International Monetary Fund will review Vietnam's arrears today in a move that will start the process of bringing the country back into the international financial community.

The meeting will be the IMF's first discussion of Vietnam since President Bill Clinton announced that the US would no longer oppose efforts to pay off the country's arrears and bring it back into good standing with the international financial institutions.

The US representative on the IMF board is expected today to give a formal signal on Vietnam to his colleagues, who say they have so far read of Mr Clinton's intentions only in the press.

This could trigger the formation of a support group headed by France and possibly Japan to provide bridging finance that would enable Vietnam to clear its arrears with the IMF, which total around 100m special drawing rights, the Fund's internal accounting unit.

IMF officials have already established close links with Vietnam and agreement on an economic policy programme could follow quickly once the country has paid off its arrears. This in turn would allow Vietnam to draw up to SDR120m (£112.15m) from the IMF under a standby financing agreement.

Once money has started to flow into Vietnam from the IMF and the multilateral development banks, the US government will find it difficult to resist pressures from US businesses to lift its trade embargo.

Although most members of Congress supported the Clinton administration's move to drop US opposition to the clearing of Vietnam's IMF arrears, Mr Robert Smith, a Republican senator from New Hampshire, returned from Hanoi last weekend still convinced by reports that US prisoners of war had been sighted after 1973, when Vietnam said it handed over all prisoners.

# Takeshita forced on to the stump

## But former prime minister is still the local hero, reports Emiko Terazono

"LOOK, THERE he goes!" squeal women supporters as Mr Noboru Takeshita, former Japanese prime minister, climbs into his black chauffeur-driven Toyota surrounded by his 10 special police guards.

While Mr Takeshita has faced heavy public criticism for his alleged links to gangsters and a more recent corruption scandal involving a gold leaf screen, back in Shimane prefecture, his local constituency in western Japan, he is still a hero.

"I know he'll get in," says Mr Yutaka Adachi, who proudly says he is the same age as Mr Takeshita – 69.

Shimane is a typical rural constituency. The sparsely populated region is represented by five MPs in the lower house, the same as a crowded urban district. For as long as people can remember, four out of the five seats have been held by the ruling Liberal Democratic party, and the benefits are brazenly apparent. The prefecture has the highest annual public works spending per capita.

However, the political upheaval triggered by the no-confidence vote which brought down the government of Mr Kiichi Miyazawa has also reached this traditionally conservative region. Mr Atsushi Nishikori, a 42-year-old candidate, is running for the New Harbinger Party, a splinter group from the LDP.

Mr Takeshita, running as an independent because of LDP worries that his tarnished image would hurt the party, is facing one of the toughest election campaigns in his 35-year political career. He has been forced to run an unusually thorough campaign, holding meetings with his electorate for the first time in 24 years.

He is aware of the opinion polls, where about 70 per cent of Japanese wanted Mr Takeshita's resignation, and is copying the exhaustive campaign tactics of his political mentor Mr Kakuei Tanaka, after he was indicted over a financial scandal in the 1970s.

For the past week, Mr Takeshita has been driving through more than 20 towns and villages a day, speaking to groups of 30 to 60 supporters.

Noboru Takeshita: most voters in his home prefecture of Shimane expect him to be re-elected

Mr Takeshita looks relaxed, speaking in his hometown Shimane dialect, but he also feels the need to justify his past actions and blame the scandals on the media. He defends himself against claims that he had used gangster links to silence an extreme right-wing group which had mounted a "praise to death" campaign against him in 1987 before his elevation to the premiership.

"I couldn't sue the Kominto (the right-wing group) because they were praising me," he says in front of an audience of 30in a civic hall of Hakuta, a village tucked away amid the mountains.

He also tells supporters that the scandal surrounding the sale of a gold leaf screen, the sale proceeds of which were allegedly given to politicians, including a secretary to Mr Takeshita, was "made up by the media."

After apologising for the "great sorrow caused among his friends back home," he clenches his fist, claiming he has a mission to find the truth behind the scandal.

After nodding in approval, supporters listen intently to Mr Takeshita's recollections of the six summit meetings of the Group of Seven leading industrial nations he attended as finance minister or prime minister.

"I have many friends abroad," he says, stressing his role as an elder statesman. Mr Takeshita expresses his concern for the environment, implying that he had proposed the earth summit in Rio last year.

He does not fail to add his support to political reform. "It's the sign of the times and I'd like to contribute what I can through my experience as a politician," he says.

After the 20-minute speech, Mr Takeshita leaves the modern village hall in the middle of the rice paddies.

"It's the media's fault that the LDP is having such a hard time," says supporter Mr Adachi.

With the help of Mr Shin Kanemaru, the disgraced former kingmaker of the LDP, Mr Takeshita led the largest faction within the party, but was forced to resign as prime minister in 1989 due to his involvement in the Recruit stock-for-favours scandal.

However, even after Recruit, thanks to the vast supporter network and corporate votes from local construction companies, he managed to win the most votes in the prefecture.

Elsewhere in the region, Mr Yoshio Sakurauchi, the 81-year-old former speaker of the lower house, who has represented Shimane for more than 40 years, calls through the loudspeakers for support. Although his age limits his campaigning to waving through the rice paddies from his van, and brief speeches in front of small local train stations, supporters rush out of their houses to catch a glimpse of the famed politician and to cheer him on.

Such deep-rooted support for the LDP has prevented NHP's Mr Nishikori from overtly criticising Mr Takeshita, although to many Japanese he is a symbol of political corruption.

Mr Toshio Harada, head of Mr Nishikori's support group, says that some Shimane voters have come to realise that the prefecture is now the centre of the nation's attention.

"There are people who criticise Mr Takeshita," he says.

However, while national criticism of the old ways of Japanese politicking has heightened during the last few days of the election campaign, most Shimane voters expect Mr Takeshita to be elected.

"He still has very strong links with construction groups, who will give him the organised vote," says Mr Kiyomi Osawa, a middle-aged office worker.

However that is not the only reason he is likely to be re-elected.

"I don't care what the media says, Mr Takeshita is good for Shimane," says a farmer, gazing at a newly-built road stretching towards the mountains.

# Cambodia guerrillas in peace gesture to rivals

KHMER ROUGE guerrillas are willing to join Cambodia's new national army to try to bring peace to the country, according to Mr Khieu Samphan, the faction's president, Reuter reports from Phnom Penh.

He also told reporters that Prince Norodom Sihanouk, the head of state, had offered the Khmer Rouge ministerial posts in the new government.

"We have proposed to establish a quadripartite army so as to avoid clashes and confrontation on the military field," he said after talks with the United Nations military commander and the deputy peacekeeping chief.

"We see it as the only way to solve and avoid clashes and confrontation."

A diplomat warned, however, that the Khmer Rouge may be putting a rosier glow on its new-found friendship with the government than was warranted.

"It sounds as though only one concession has come out," he said.

But he noted with concern that the Maoist group's willingness to join a united army did not mean it would give up the 15 per cent of Cambodia that it now controls, or even allow free access to the areas.

The hardline Khmer Rouge fields 10,000 to 15,000 guerrilla fighters.

About 100 of them last Wednesday attacked government troops and overran the 12th century temple they were guarding near the country's northern border with Thailand.

Mr Khieu Samphan returned to Phnom Penh yesterday after an absence of three months and went straight into a meeting with Prince Norodom Ranariddh, joint leader of the interim power-sharing government.

The prince told him that Cambodia's head of state "has in mind to give us some ministerial posts," Mr Khieu Samphan said.

"If that is the case, we will accept with pleasure in the spirit of national reconciliation."

He added, however, that the Khmer Rouge sought a role as advisers rather than cabinet posts.

The US has said it would have difficulty supporting a government that included the Khmer Rouge.

The 3½-year Khmer Rouge rule claimed 1m lives until Vietnam invaded in December 1978 to oust the group and install a sympathetic government, led until UN-organised elections in May by the then prime minister Hun Sen.

The Khmer Rouge and two non-communist guerrilla allies waged a civil war against that government until a UN-sponsored peace pact in October 1991 that led to the elections.

The Khmer Rouge later abandoned the peace agreement. It boycotted the polls narrowly won by Ranariddh's royalist party, their civil war ally.

The diplomat noted that the guerrilla leader had not met Hun Sen, once his most bitter foe and now a co-president in the interim government that will rule until elected representatives can write a new constitution.

# India posts 30% jump in exports

INDIA'S exports recorded a 30 per cent growth to reach \$3.46bn (£2.34bn) in April and May, the first two months of the current fiscal year, against \$2.67bn in the corresponding period of last year, writes Shiraz Sidhva in New Delhi.

Official statistics yesterday showed imports fell 4.05 per cent to \$3.47bn compared with \$3.61bn. The country's trade deficit has fallen to \$6.59m against \$944.7m last year.

Mr Kamaluddin Ahmed, minister of state for commerce, said the year had "begun on a positive note," adding that the export target of 20 per cent growth in 1993-94 would be feasible.

● The parliamentary committee investigating the Rs50bn (£1.06bn) Bombay financial scandal yesterday summoned records of phone calls, visitors' registers, and other documents from the office and residence of Mr P V Narasimha Rao, prime minister, after an allegation by Mr Harshad Mehta, the Bombay stockbroker, the main accused in the scandal, that he had paid Rs10m to Mr Rao.

# SDP rejects fresh polls in Nigeria

By Paul Adams in Lagos

NIGERIA'S Social Democratic party, the apparent victor in an aborted presidential election last month, has refused to take part in a new poll sought by the military government.

On Monday night President Ibrahim Babangida withdrew his offer to let the SDP and the rival National Republican convention form an interim government of unelected civilians and replace his eight-year regime on August 27, the scheduled date for completing the transition to democracy. The NRC has always said it would prefer another election.

Yesterday the government said an interim government would have invited instability. The president used similar reasons to explain anulment of the June election, in which Mr Moshood Abiola, the SDP candidate, was ahead when counting was halted.

A group of leading Nigerians including two ex-heads of state condemned the government's action and demanded that "the Babangida administration be terminated forthwith".

# Quake overshadows Japanese poll

## Miyazawa views damage and pledges aid, reports Michiyo Nakamoto

MR KIICHI Miyazawa, the Japanese prime minister, yesterday flew in to Hakodate on the northern island of Hokkaido to survey nearby damage caused by a strong earthquake and subsequent tidal waves which together claimed 61 lives.

Mr Miyazawa, who arrived after campaigning in Nagoya in central Japan for Sunday's general election, had earlier reassured the country that the government would act immediately to assist those affected. Interrupting saturation media coverage of the national election campaign were pictures of smouldering towns and television footage of houses adrift in the ocean.

The earthquake off the shore of northern Japan, which registered 7.8 on the Richter scale, was the largest to hit the country since an earthquake of similar magnitude off the Sea of Japan 10 years ago.

Tidal waves reaching up to five metres hit Hokkaido as well as the coasts of 10 prefectures in northern Japan, causing extensive damage to local fishing villages and towns. Tidal waves also reached Russia's far east coast, leaving a handful of people missing, damaging fishing vessels and an oil pipeline.

**The latest tremors are bound to raise fears that a quake might hit the Tokyo area**

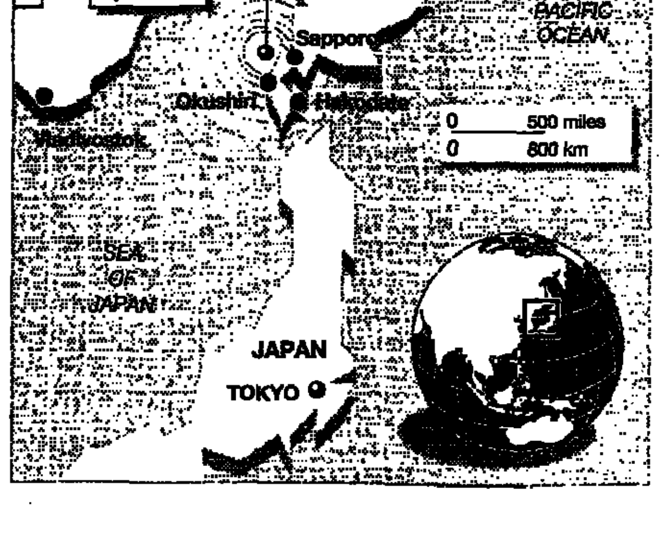
In addition to the 61 people reported dead in Japan, 169 were missing, 550 houses collapsed and 385 houses were under water.

After shocks continued in the region yesterday and the meteorological agency warned that the danger remained of an after-shock of a magnitude of 6 hitting the region within a month.

On Okushiri island, close to the earthquake's epicentre, houses continued to burn last night. More than 300 houses caught fire in the Aonae area of Okushiri alone and a cliff buried a nearby hotel within seconds of collapsing.

Residents of Okushiri were moved to a local school and 100 Self Defence Force military personnel were flown in to distribute fresh water and food and help in the rescue.

The damage done to towns in Hokkaido is bound to raise fears in Tokyo of a severe earthquake hitting the area in the near future. The Kanto plains, where Tokyo is located, were devastated by a quake in 1923 and studies suggest that another could occur in the not too distant future.




# Iraqi regime prepares for further US strikes

By Our Middle East Staff

IRAQ yesterday began to prepare the public for possible US military attacks, following its refusal to let United Nations weapons inspectors seal off two missile sites west of Baghdad pending installation of remote-control cameras.

Mr Rolf Ekeus, head of the UN weapons inspection team, flew to Bahrain yesterday on his way to Baghdad in what is likely to be the final attempt to persuade Iraq to abide by UN Security Council resolutions.

The Baghdad newspaper al-Qadissiya warned that the US would not hestitate to strike against Iraq again and said the confrontation over the missile test sites was a a pretext for attack. Another newspaper, al-Jumhuriya, earlier accused Mr Ekeus of masterminding a conspiracy to broaden the scope of UN resolutions.

Iraq says that under ceasefire accords it can retain missiles with a range of less than 90 miles and denies it intends to use test facilities for developing longer-range weapons.

# Regulator warns of huge costs of cleaner water

By David Lascelles, Resources Editor

THE water industry regulator advised the government yesterday to delay the timetable for cleaning up the UK water supply or risk seeing big increases in household water bills.

In a report to ministers entitled "Paying for quality: the political perspective", Mr Ian Byatt said Britain's water quality obligations were placing enormous costs on the water industry which would have to be passed on to the consumer.

If all the obligations were met they could add £54 to the typical household bill across England and Wales in the five years from 1995, and a further £23 in the five years after that. That would amount to an annual increase of five per cent in real terms.

"I do not believe that customers would want to see their water bills rising at this rate," he said. "Domestic customers have already suffered a squeeze in their incomes. Business customers competing in difficult markets may be hard hit by large increases in water bills and the cost of treating trade effluent."

Mr Byatt singled out EC regulations for placing "an unmanageable burden" on customers. The cost of implementing the urban waste water directive had soared from an original estimate of £2bn to £10bn, he said, and the government should consider going to Brussels to negotiate a five-year extension. He believed the UK was not alone in its concerns about EC standards.

Other regulations which could be reviewed include those on drinking water, sewage disposal, run off of fertilisers, dumping of sludge at sea and the clean-up of bathing beaches.

Mr Byatt stressed that it was "not a matter of going back to the Dark Ages, but of how far and how fast we proceed".

The report forms part of a long-running campaign by Mr Byatt to hold down costs in the water industry, and deal with mounting public concern about water bills. It is addressed to Mr John Gummer, environment secretary, and Mr John Redwood, Welsh secretary, who will have to decide whether action is warranted.

Mr Tim Yeo, minister at the environment department, said the government would gauge public reaction and try to respond by early autumn. "This is a helpful report," he said. "It shows that there is an inextricable link between higher standards and prices."

The report was also welcomed by consumer organisations and industrial users. But it was attacked by environmentalists for seeking to postpone the environmental clean-up. Mr Chris Smith, the Labour opposition's environment spokesman, said it was misdirected. "Where pollution cannot be prevented, it should be the polluter and not the water consumer who pays to remove it," he said.

The report updates a paper produced last year by Mr Byatt and forms part of the consultation ahead of new water price controls due to be introduced in 1995 and run to the end of the century.

Editorial Comment, Page 13
Lex, Page 14

## Corporate dinosaurs give way to youngsters

By Lucy Kellaway

THE traditional British boss, famed for being poorly educated, elderly and insular, is being pushed aside by a younger generation of better qualified managers.

A survey by Korn-Ferry, international headhunters, of the boards of British companies says a "transformation" is taking place in the education of British managers.

The survey, taken from the Times 1000 companies, shows almost 80 per cent of top executives at companies with a turnover of more than £250m were under 55, and 40 per cent were under 50.

Fewer of the younger managers had been promoted from within, compared with older ones, and almost half had been in their jobs for less than five years.

Of younger directors, 27 per cent could speak at least one language in addition to English, compared with only 15 per cent for directors between 50 and 55. Two thirds of those under 50 had degrees, compared with less than half of the older group. Among top executives in companies with turnover exceeding £1bn, 13 per cent have an MBA, more than twice as many as last year.

Mr George Bain, president of London Business School, said: "People have always said that the British manager lacks quality as he doesn't have the same training as his competitors and is insular. These figures begin to suggest that that is changing."

Mr Michael Brandon, author of the report, said pressure exerted by the recession had helped to promote younger managers, and the explosive growth in MBAs and management consultancies had made management a more attractive career for young people.

"Gone are the days when you could complain that the country's best talents were not interested in business careers", he said. He said the change was part of a general move towards a better educated society and to the expansion in university education since the 1960s.

This is the first time that the Korn-Ferry study, which is in its 14th year, has looked at the changing background of directors by generation. Comparable figures from the mid 1970s show that only one third of top managers had degrees.

The survey also found that British companies were bowing to pressure from shareholders and their peers to spilt the roles of chairman and chief executive.

Only 15 per cent of the companies surveyed still combined the roles, compared with 25 per cent a year ago.

## Prime minister opts for open Sunday trading

By Neil Buckley and Ralph Atkins

MR JOHN Major yesterday gave his backing to Sunday trading, in spite of warnings by the opposition Labour party that legislation allowing stores to open seven days a week could fail without extra protection for shopworkers.

As the Home Office unveiled four options from which MPs will choose, the prime minister shrugged off the threat that the government will not win the support of enough MPs to reform Britain's widely-flouted Sunday trading laws.

MPs will have a free vote in the new session of parliament in the autumn on which of the options in its bill will form the basis of new legislation.

But the government annoyed Labour MPs and the campaign groups whose proposals formed the basis of the bill by failing to extend protection against being forced to work on Sundays to future, as well as existing, shop workers.

Mrs Joan Ruddock, Labour's home affairs spokesman, said the threat was "hanging over the government" of MPs voting against the bill, even if there was a majority on one of the proposed options.

Mr Michael Schluter, director of the Keep Sunday Special Campaign (KSSC), which supports only limited Sunday opening, said the government had broken its promise to give a "full and fair representation" of each campaign group's proposals by excluding their demand for full employee protection and for double pay for Sunday working. He warned his group could not support any reform of the law without worker protection.

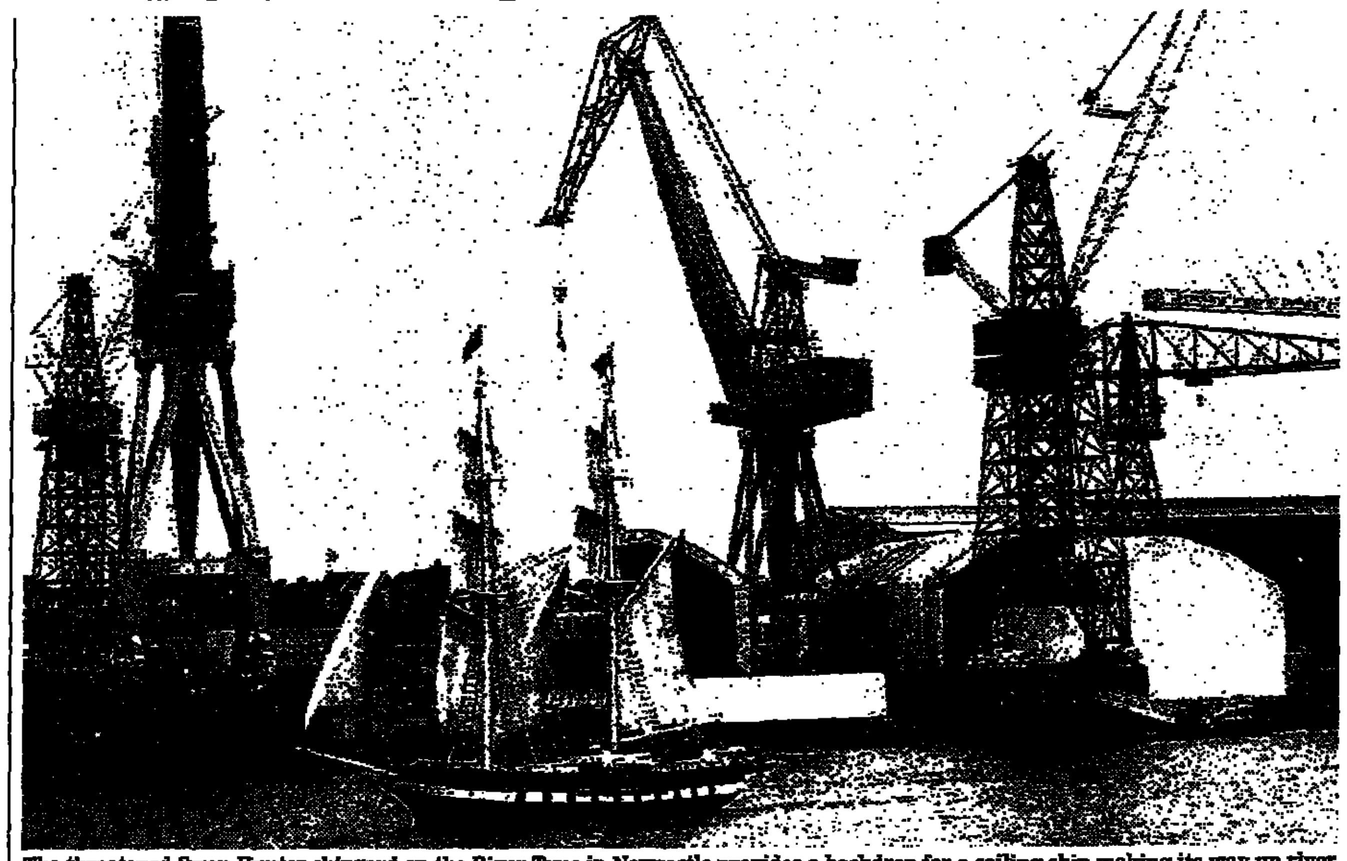
Baroness Margaret Jay, chairman of the Shopping Hours Reform Council (SHRC), which supports partial deregulation, said she was "not happy with the government's bill as it stands. I think we need much more detail on shopworker protection."

Downing Street said Mr Major would vote for total deregulation. The four options are:

- Total deregulation, allowing all shops to open at any time.
- Partial deregulation, based on SHRC proposals, allowing smaller shops to open at any time, but larger shops to open only six hours.
- Limited opening, based on KSSC proposals, which would close the majority of shops on Sundays, but would allow small shops and certain categories of large shops, including DIY shops and garden centres, to open.
- Limited opening, based on proposals from Retailers for Shops Act Reform, similar to those of the KSSC but allowing all shops to open on the four Sundays before Christmas.

Despite the government's desire to clarify Sunday trading laws, Mr Michael Howard, home secretary, admitted it was "quite possible" that none of the options would win a majority in parliament.

Editorial Comment, page 13



The threatened Swan Hunter shipyard on the River Tyne in Newcastle provides a backdrop for a sailing ship making its way up river to prepare for the Tall Ships race this weekend. Union leaders at Swan Hunter, which is in receivership, wrote yesterday to eight companies they believe may be interested in buying the yard, pledging the workforce's commitment to its survival. Recipients include German-based shipbuilder Bremer Vulkan and Norwegian-owned Kvaerner, owner of the Clydeside Govan yard in Scotland

## Clarke hopes to improve German links

By Peter Norman, Economics Editor

MR KENNETH CLARKE, chancellor of the exchequer, will next week move to strengthen economic relations between Britain and Germany with a visit to Frankfurt and Munich.

During the two-day visit, his first to Germany as chancellor, Mr Clarke hopes to smooth over any residual tensions between the Treasury and Bundesbank, UK officials said yesterday.

Mr Clarke will meet industrialists and bankers in Frankfurt on Sunday, lunch with Mr Hans Tietmeyer, Bundesbank president-designate, on Monday and meet Mr Theo Waigel, German finance minister, in his home city of Munich later that day.

In Munich, the chancellor will give a speech that is expected to develop the UK's ideas for improving Europe's international competitiveness through supply side policies.

UK officials played down suggestions that the chancellor would be pushing for German interest rate cuts. But while Mr Clarke's trip may lack a specific policy goal, it will mark a notable change of style from that of Mr Norman Lamont, his predecessor.

Mr Lamont, a Euro-sceptic, made no secret of his lack of enthusiasm for meeting European finance ministers and his antipathy for the German Bundesbank in the run-up to Britain's withdrawal from the exchange rate mechanism.

Mr Clarke's meeting with Mr Waigel will be his third in a fortnight, after talks with the German minister in Tokyo last week and Monday's economic and finance ministers' council in Brussels.

## Vulnerable Major exposed by Maastricht battle

**Philip Stephens** examines the hurdles facing Britain's prime minister

Britain will ratify Maastricht. The only question remaining is whether the treaty has the potential still to destroy Mr John Major's premiership.

After a year of ruinous conflict in the ruling Tory party the bill to give legal force to the treaty is within sight of Royal Assent – when it becomes law. If Mr Major is fortunate it will be signed and sealed before MPs depart for their Umbrian villas at the end of July. But there are two remaining hurdles.

The first lies in the House of Lords, Britain's upper chamber, where former prime minister Lady Thatcher is promising to blemish her parliamentary career today by voting against her party for first time in 34 years.

Despite the pledge of some Tory peers to follow their heroine in support of a referendum, Mr Major is quietly confident she will not derail the treaty. The odds are that most peers will recognise the inherent contradiction of an unelected chamber demanding the people should decide.

If they do not, the prime minister's battered reputation will take another severe knock. Ratification would be further delayed. But eventually, the House of Commons, which has already voted overwhelmingly against a referendum, would overturn the Lords.

The second, more serious, threat lies in the subsequent vote by MPs – scheduled before the end of July – on the social chapter. Here we hit the legal technicalities. But it is important they are understood because this vote might (and the conditional tense is important) wound Mr Major fatally.

During the spring an unholy alliance of opposition parties and Tory Euro-sceptics forced through an amendment related to Britain's opt-out from the treaty's social provisions.

The amendment states that final ratification – the physical transfer of the legal instruments to Rome – can take place only after MPs and peers have voted on the wisdom or otherwise of the opt-out. It does not specify that MPs must support the deal negotiated by Mr Major. Merely that a vote must take place on a motion proposed by the government after the bill has become an act.

The trap lies in another amendment being framed by the opposition Labour party. In essence the new amendment, on which MPs will vote alongside the government motion, will say this: even though Maastricht has been enacted, the treaty itself should not be ratified unless the opt-out is scrapped.

We are back to the unholy alliance. Labour is drafting the change in close consultation with the Tory sceptics. If the opposition can persuade a dozen or so rebels to join them then Mr Major could be defeated.

The sceptics, of course, do not want the social chapter. But some of the diehards see in it a last chance to wreck the whole process. After all, Mr Major has declared he could never abandon the opt-out.

So in the event of a government defeat Mr John Smith would demand the prime minister embrace the social chapter while the sceptics – including perhaps one or two in the cabinet – would insist he abandon the entire treaty.

Of course it is not that simple. It is possible that Mr Major could simply ignore the vote and complete the ratification process regardless. It would be messy – and probably subject to later judicial challenge – but better than leaving Britain isolated in Europe.

Politics though might count for much more than legal sophistry. It is far from clear he could survive such a blow to his authority. Whatever the advice of the lawyers, however perverse the motivation of some Tory MPs, it might be impossible to ignore the expressed will of parliament.

All these issues were discussed in detail by the prime minister and his most senior colleagues yesterday. They concluded on tactical grounds not to disclose their intentions in advance of the social chapter debate.

Perhaps they have a masterplan, overlooked so far by their opponents. More likely they believe that uncertainty offers the best chance of unnerving the Tory sceptics.

Some in the government disagree. They want Mr Major to give an unequivocal commitment to ratify come what may – a public warning to the rebels that if Britain were to end up with the treaty plus the social chapter they would bear the blame.

Perhaps life is not that simple. And the same message presumably can be conveyed to the sceptics as effectively in private as in public. But the reality is the government has no other option but to ratify Maastricht. A majority in the cabinet – foreign secretary and chancellor of the exchequer among them – could not accept a different outcome.

The sceptics eventually may understand this and vote for once with their own party. But what price on Mr Major's premiership if he does loses the Commons vote on the social chapter and then suffers a crushing defeat in the forthcoming Christchurch by-election?

## Britain in brief

### Summit urged on recycling scrap cars

Car makers need urgently to call a world "summit" to seek solutions to the problems of vehicle scrap and recycling, which threaten to be overwhelming, an industry study has warned.

London-based consultancy Euromotor, is critical of what it describes as the industry's "piecemeal" approach to recycling. Warning that the weight of plastics – the most difficult material to recycle – from cars by 2010 will present as big an annual waste problem "as the total tonnage of cars scrapped in the 1950s", the study calls for the formation of an international body – possibly a UN working group – to tackle the problem.

Of 15m cars currently scrapped annually in Europe, only half are dealt with at authorised scrapyards, with the remainder left to rot.

Even where recycling takes place, up to 3m tones of currently unrecyclable scrap are buried each year and Europe is "running out of dumping space".

### Quarter of house sales fail

More than a quarter of house purchases collapse before contracts are exchanged according to a study by the Lord Chancellor's department. Delays were mostly due to the time taken to obtain mortgage finance or by last minute attempts to renegotiate prices.

It took just over six weeks for an average transaction to progress from initial agreement to exchange of contracts. To complete a purchase took two months. The report said the average cost of buying or selling a house in England and Wales represented about 2 per cent of purchase price, the cheapest in Europe.

### Reporter hits at BBC chief

Mr Mark Tully, the BBC's distinguished South Asia correspondent, has delivered a diatribe against the way Mr John Birt, BBC director general, is running the corporation.

Mr Tully told the Radio Academy Festival in Birmingham that he did not think Mr Birt understood "what the BBC was, or indeed what it should become". There was a real sense of fear among the staff which prevented people speaking their minds, he said. His speech brought no immediate response from the BBC.

### Marconi wins defence order

A £60m order for electronic equipment has been awarded to GEC-Marconi, which will safeguard 200 jobs in Scotland and Surrey. The equipment will link the army's artillery to surveillance and targeting systems and form part of the £300m computerised Battlefield Artillery Target Engagement System. Bates should cut the risk of "friendly fire" incidents, because the position of allied units are recorded in the computer.

# PEOPLE

## Eleco snaps up Callaghan as its chief executive

Eleco, the building products, contracting and distribution company, has replaced its former chief executive 41-year-old Michael Webster, who had been in the position for the past six years, with Australian-born Peter Callaghan.

Chairman Field Walton explains: "We had some rather dreadful interim results, which had concerned the whole board." In February, the company reported a £2.21m loss for second half 1992.

Together with two recently appointed non-executives, Walton says he approached the executive management and explained that he expected to see changes. "It was the style of management more than anything else. The approach had worked very well for acquiring businesses. But the new acquisitions tended to have been treated as investments. The [recessionary climate] demanded more hands-on management."

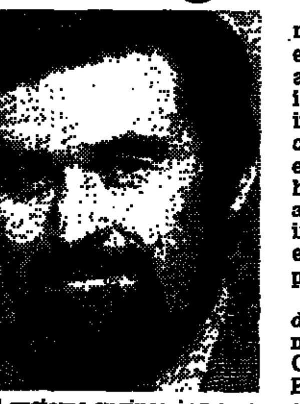
Of Callaghan, he says: "It is amazing he has not been snapped up before now," adding that he is "very user-friendly and has a good sense of humour". His "hands-on" management abilities, Walton believes, were demonstrated at Camford Engineering, where he was co-opted as deputy chairman by Markheath Securities to turn round the automotive components manufacturer before selling it on to Hoesch.

It is understood Callaghan was offered a job by Hoesch both at its German headquarters and in Houston, within its American operation, but that he had declined. For the past 18 months he has been doing corporate advisory work.

A production engineer by training, 42-year-old Callaghan also studied business administration in the early 1980s at the New South Wales Institute of Technology – where, coincidentally, Walton had once been offered a teaching post. He then worked for Australian resources company Peko Wallsend before moving to Natcorp Investments where he was operations director.

## Read plugs into Logica network

Logica, the computing services company, is strengthening its senior management by promoting David Mann into the new position of deputy chairman, and bringing in Martin Read (right) as the next managing director and chief executive.



Paul Bosonnet, who took over when Logica's founder Philip Hughes stepped down in 1990, says that, unlike Hughes, he is a part-time chairman "with the accent very much on the part-time". This means that he has "had very little involvement with customers". Hence Mann, who has been at Logica since 1969, will be able to devote more time to customers and industry partners now he is freed of day-to-day management responsibilities.

Meanwhile, 43-year-old Read has been headhunted from GEC-Marconi. Appointed managing director of Marconi Command and Control Systems in 1989, he was then made managing director of Marconi Radar and Control Systems on the 1991 merger with Marconi Radar. In the following year he also took on the supervisory managing directorship of the GEC systems engineering company EASAMS, as well as the GEC-Marconi Research Centre. This year he collected similar roles at GEC Computer Services and GEC-Marconi Software Systems, an accumulation of extra responsibilities that Bosonnet calls "very encouraging".

"We were looking for somebody who did not replicate everything we already had inside Logica," says the chairman. "He is not unfamiliar with software and he has enough educational background to understand our business." Read has a natural sciences degree from Cambridge and an Oxford DPhil in physics. He is also expected to inject more than a whiff of the culture of his previous employer. "Coming from GEC he is a little more hard-nosed and commercially-oriented; we inevitably start from our interest in technology," as Bosonnet puts it.

However, despite holding down international management positions for Overseas Containers and International Paint before joing GEC-Marconi in 1985, he has no real operating experience in the US, where Logica continues to experience difficulties. "If you compile a list of all the attributes you want, you rule yourself and everybody else out," Bosonnet says philosophically.

While Read becomes boss of a publicly listed company, Logica, which employs 3,300 people and has annual sales of £200m, is considerably smaller than the outfits he has been running. Marconi Radar and Control Systems alone sees a turnover of £310m and has more than 4,000 employees.

## Non-executive directors

- Yves Tuloup as chairman, Jean-Paul Oudet and Charles Bernard at SOCIETE GENERALE STRAUSS TURNBULL SECURITIES; the previous chairman Patrick Duverger, head of Société Générale's capital markets division who will concentrate more on the corporate side of capital markets.
- John Elfed Jones, former chairman of Welsh Water, at BMSS.
- John Guinness, chairman of British Nuclear Fuels, at OCEAN GROUP.
- Stuart Henderson, former chairman and chief executive of Contractors Services Group which he sold to BET, as chairman of INTERNATIONAL MACHINERY COMPANY, the Terex and Samsung distributor which bought Blackwood Hodge from the BM Group.
- Sir Jeremy Black, chairman of Remy & Associates, and John McLaren, a director of Morgan Grenfell, at MACALLAN-GLENLIVET.
- Keith Chapman, founder partner of Crouch Chapman, at WINDSOR.

- Neil Mackay (above), a director of Lazard Brothers, at LAMONT HOLDINGS.
- Neil Chapman, a practising pharmacist, at UNICHEM. Since 1990 he has been chairman of the Unichem Northern Regional Committee and was a non-exec at Unichem from 1986-90. James Buchanan has retired.
- Harry Roche, chairman and chief executive of the Guardian and Manchester Evening News and chairman of the Press Standards Board of Finance, at JOHNSTON PRESS.
- Alastair Deakin, finance director of Hewden Stuart, at CLYDE BLOWERS.
- David Cohen, a director of Robert Fleming Securities, at ARMOUR TRUST.

## Smout moves up at the Bank

Clifford Smout, who is just 36, is being promoted to the position of deputy head of the Bank of England's supervision division, in charge of supervisory policy; he replaces Richard Farrant, the new chief executive of the Securities and Futures Authority. A decade younger than the other three deputies, he will report to Michael Foot, who is to take over from Roger Barnes.

An economics graduate from Clare College, Cambridge, Smout joined the Bank in 1978, initially in the international division, concentrating on economic forecasting. His next port of call was money markets, and, following the implementation of the Financial Services Act, he became involved in setting up the division supervising wholesale money markets. Between 1987 and 1989 he was private secretary to the then deputy governor Sir George Blunden. He moved on to the foreign exchange side, and then into his most recent job – manager in the supervision division in charge of North American banks.

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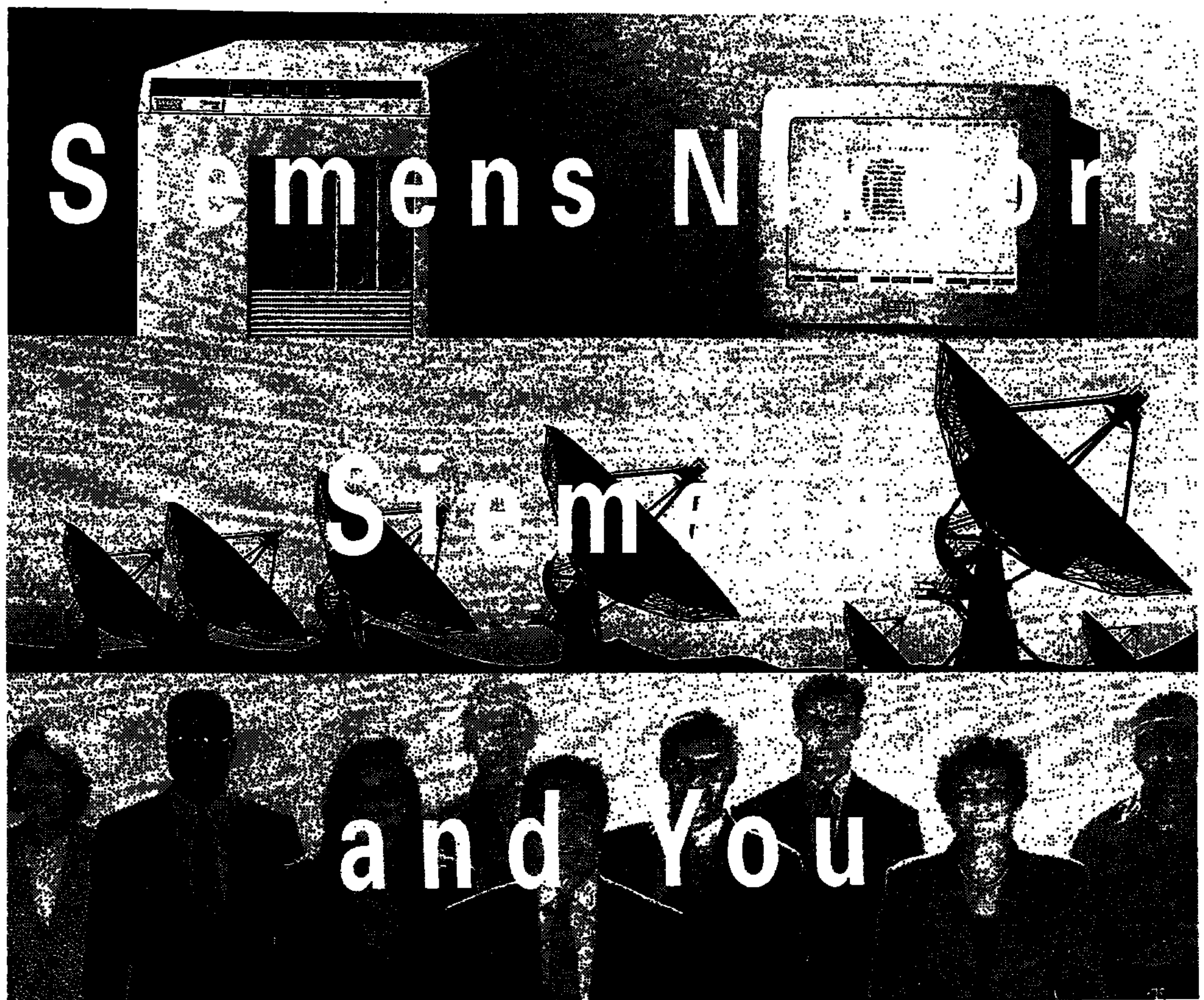
# INFORMATION TECHNOLOGY IT-WORLD NEWS




**Synergy at work with Siemens AG**

Synergy between partners, drawing on the huge potential of Siemens AG for performance capacity far beyond the reach of Siemens Nixdorf on its own, and working with clients to plan and develop the final product: integrated solutions, from central servers in administration to process control computers in the factory – solutions which can only be provided by Siemens Nixdorf working with Siemens AG's plant, transport and automation technology divisions and public and private networks. From "Computer Integrated Railroading" – the computer-supported control and supervision of rail movements at the Munich North shunting yards – to the integration of diverse computer and database systems for a more efficient construction and redevelopment strategy at Horsham – planned by Siemens and carried out by Siemens Nixdorf. The achievements of "Synergy at work" worldwide translate into benefits for clients in every sector, from BMW to national energy suppliers such as MEW Kuwait. See this new issue of IT World News for more details.

Example of synergy in telephone billing

## Bangkok: Hot billing a hit at the Telephone Organisation of Thailand.

To ensure first-class service to its customers, the Telephone Organisation of Thailand (TOT) has decided to utilize "Synergy at work", by combining the Siemens Digital Public Switching System EWSD with a SINIX® computer with RISC-architecture from the Siemens Nixdorf Group. The company has installed Siemens' EWSD digital switching system which puts through several million phone calls every day, as well as recording charging units. "Synergy at work" then provides instant telephone billing at the company's branches, through direct connection of Siemens Nixdorf high-speed SINIX computers to the EWSD, and a link to the account printer at TOT branches. Via the EWSD system, the computer is immediately informed of the duration of a public telephone call made by a TOT client. It calculates the units and charges, and prints out the account in Thai script. The advantage for the client is that it is no longer necessary to wait for the clerk on duty to read the charge meter, look in the rate list and calculate the charge. Instead, the entire transaction operates in synergy between the EWSD system and the SINIX computer – from tariff determination right through to hot billing printout. The client then only has to go to the counter and pay, and retains the hot billing printout as a receipt.

SINIX® is the UNIX® operating system from Siemens Nixdorf.
UNIX® is a registered trademark of UNIX System Laboratories Inc. in the USA and other countries.

Example of synergy in power supply

## Kuwait: From high voltage network to data network "Synergy at work" covers the lot.


The Kuwait Ministry of Electricity and Water (MEW) is investing 130 million DM to bring itself right up to date in terms of monitoring and controlling the power station operation together with the 300/132 kV high voltage network. The aim is to create an integrated mains supply technology within 36 months, thereby making the power supply more reliable and more efficient. Siemens is providing the mains technology – using SINAUT Spectrum. Combined with this is Siemens Nixdorf's latest computer technology – workstations with SINCAL SINIX software, and PCs for office automation, as well as intelligent expert systems for troubleshooting in the event of system failures. SINCAL provides comprehensive network planning, calculation and analysis – data from the power stations and substations is transmitted, processed by the computer system and displayed on screen as compressed graphical information. Using this information, the power station operation can be perfectly coordinated and the electricity network economically operated – through optimal load distribution. As well as updating the mains technology, MEW's communications transmission network in Kuwait will also be upgraded and modified.

**SIEMENS**
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Example of synergy in city administration

## Munich: Digital networks for closer links with the community.

Siemens and Siemens Nixdorf are bringing Munich's City Administration into the hi-tech age, using an integrated data and telecommunications solution. An ISDN digital telephone network will also provide the means for rapid handling of documents and information, using Siemens Hicom telephones with Siemens Nixdorf PCs and SINIX computers. The aim of this networking is to establish a modern client-server link connected to BS2000 mainframes. All PCs will run the Siemens Nixdorf OCIS office solution, under the ComfoDesk graphical user interface. The result will be a complete solution linking 10,400 workstations on 250 sites into an in-house network. At the same time, the Administration's various offices, in many cases in buildings protected by preservation orders, will be spared costly cablework – ISDN provides rapid data transmission simply by using existing telephone lines. Text and graphics can be transferred within seconds. The system also takes care of time management: a central timetable stores appointment times for all parts of the Administration and facilitates the organisation of meetings. The rate at which enquiries are handled and tasks processed is markedly increased. Slow postal and internal deliveries are "out", with correspondence being sent by electronic mail via ISDN. This saves time and money, and draws the Munich City Administration much closer to the community it serves.

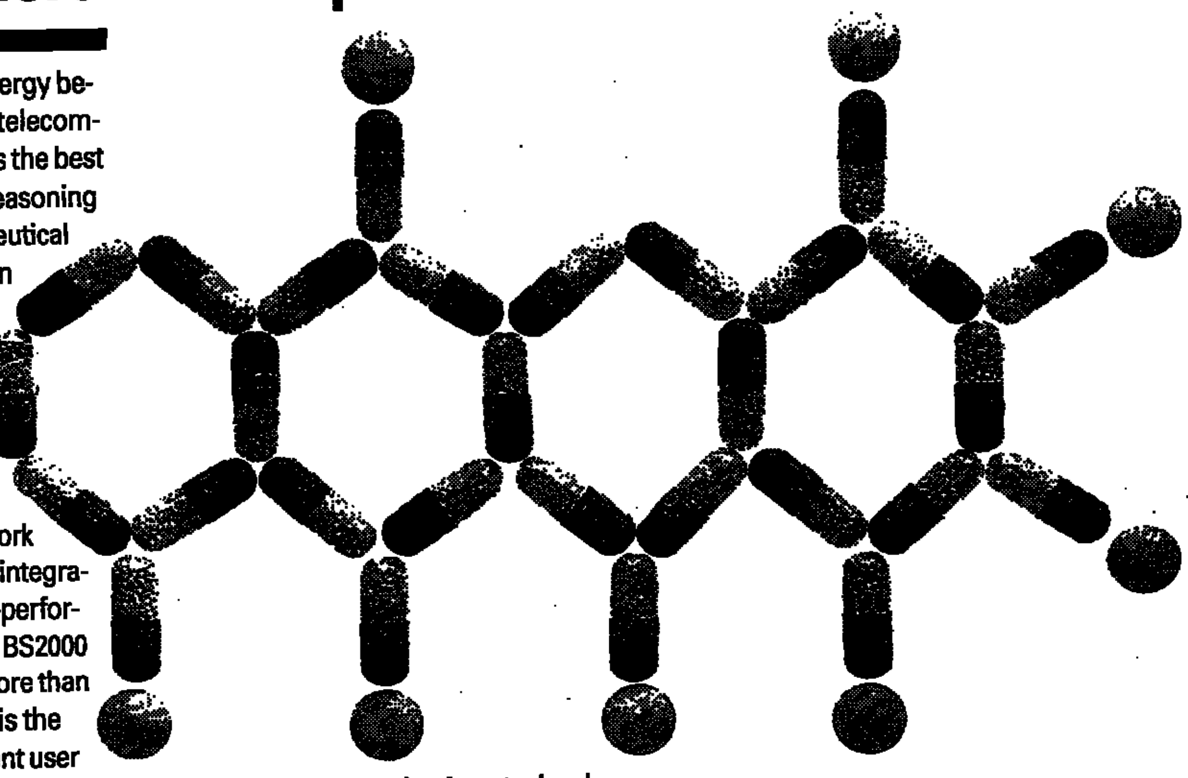
Example of synergy in freight logistics

## Bonn: Billion DM high-tech package for Deutsche Bundespost.

With 33 new parcel post centres throughout Germany, Deutsche Bundespost has adopted a forward-looking concept for freight movement: parcel delivery within 24 hours is to become the standard. The Automation Division of Siemens AG is the main contractor for all the operational management technology at the parcel post centres. Under a 1.2 billion DM high-tech package, Siemens AG will provide the sorting and distribution systems and the automation technology, calling on Siemens Nixdorf for computer technology. The extent of this project can be seen at the first parcel post centre at Hagen-Fley. A Siemens Nixdorf MX300 coding host computer with specially developed software and connected PC coding workstations is used to ensure correct distribution of the parcels. Each parcel is marked with a barcode bearing all the information on its destination and route. A barcode reader connected to a Siemens SIMATIC control system reads the barcodes and manages the sorting and distribution of the parcels via conveyor belts, tip-trays and chutes, until they leave the parcel post centre. This is done with such precision that up to 250,000 parcels per day arrive at the right point of destination, for forwarding to delivery areas, delivery bases, or to another parcel post centre. The smooth running of the operation is monitored by a fully-integrated reporting system on a Siemens Nixdorf MX 300 computer. The computer collects and displays operational and fault data from all the connected systems, calculating and monitoring system availability levels. All the parcel post centres are scheduled for completion by 31 December 1994, creating a nationwide logistics system which will reduce the number of handling stages per package from up to nine at present, to only two. Later a tracking and tracing system will be introduced to provide a comprehensive parcel follow-up service.

Example of synergy in pharmaceutics

## Ulm: "ICCS" Merckle-ratiopharm's new success formula.



When you're dealing with the synergy between data communications and telecommunications, "Synergy at work" is the best prescription. This was the line of reasoning followed by the German pharmaceutical company Merckle-ratiopharm when it commissioned Siemens and Siemens Nixdorf. The company wanted a completely new network infrastructure to optimise the flow of management, production and logistics information. Siemens Nixdorf did the groundwork – as main contractor and systems integrator. The company installed a high-performance H90 host running under the BS2000 operating system and linked to more than 300 workstations. Added to this is the R/2 modular business management user software from SAP AG, Siemens Nixdorf's partner – with modules ranging from financial accounting to material control. The first joint project with Siemens was warehouse control. For this operation, Siemens' MOLAX modular stores management system was installed on Siemens Nixdorf SINIX open systems computers. Integrated with R/2, MOLAX gives Merckle-ratiopharm rapid goods distribution and control for the 30,000 pallet spaces available. To link the most modern telecommunications technology into the data network, Siemens AG installed a comprehensive network: the "Integrated Communications Cabling System" (ICCS), which operates over open industry and standard interfaces, integrating available installations and reducing cable quantity to a minimum. The result is that all the firm's factories can easily communicate with each other, computer to computer or telephone to computer. All via a single communications port.

Horsham
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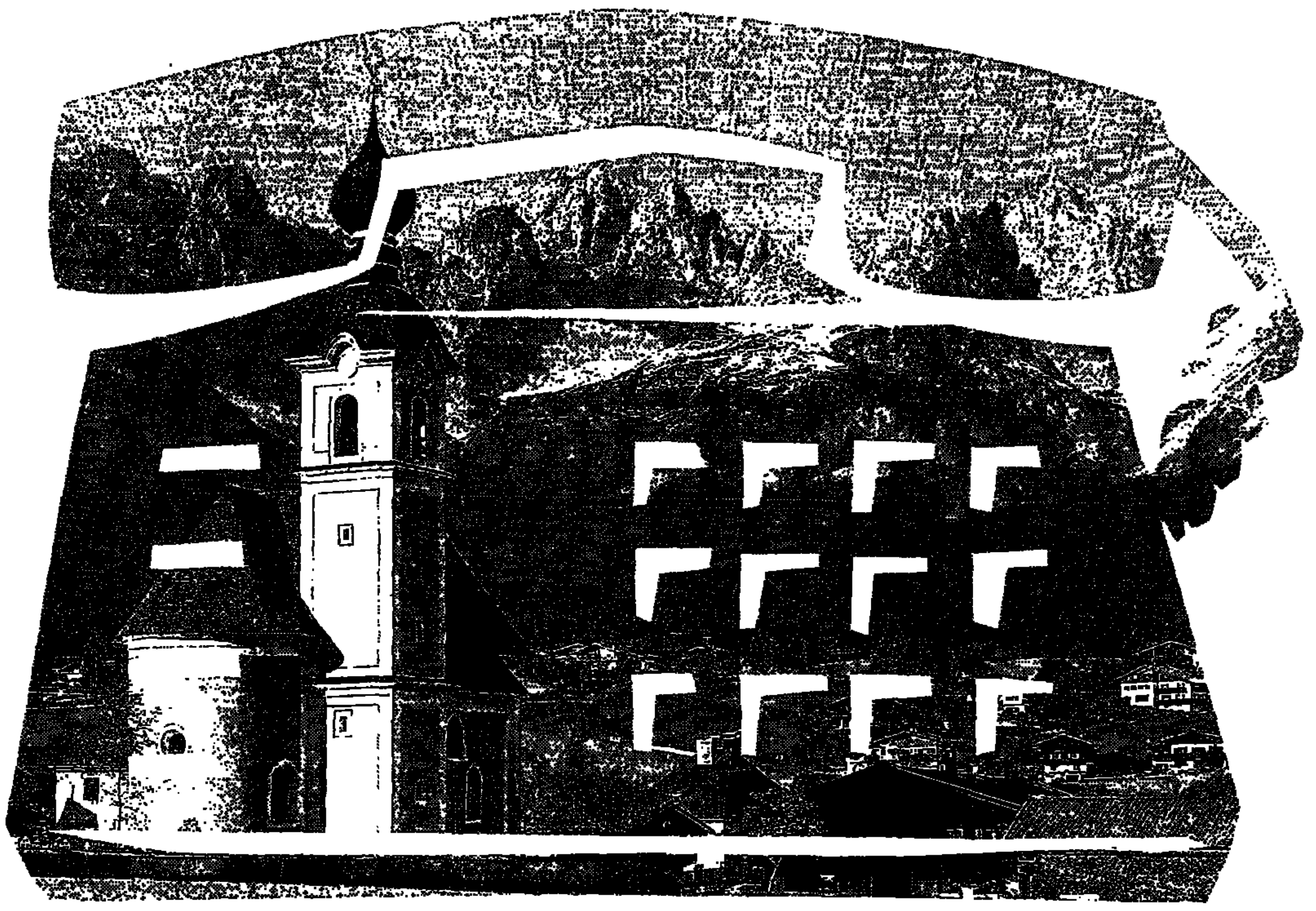
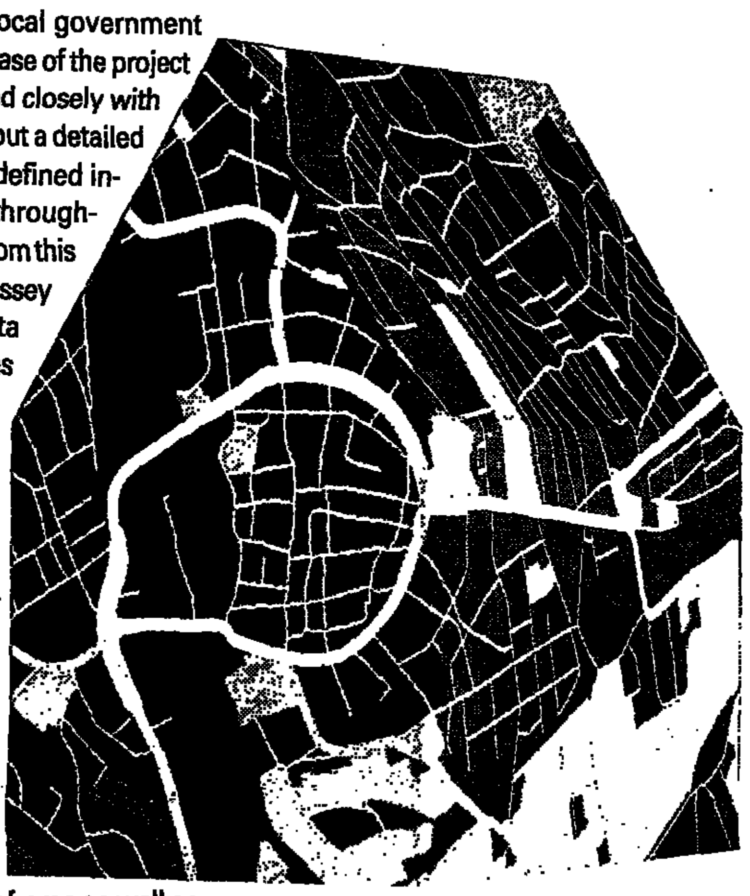


Example of synergy in public administration

## Horsham District Council bases town planning on a geo-information system.

Horsham is located just 40 kilometres from London and has to cope with the challenges of being a successful and growing town close to a metropolis. To deal with the constantly changing needs in housing and business re-developments, Horsham District Council has implemented one of the UK's most ambitious local government IT projects. In the first phase of the project Siemens Plessey worked closely with the Council and carried out a detailed employee survey that defined information "workflow" throughout the organisation. From this information Siemens Plessey created a corporate data model (CDM), which was used to develop a blueprint for the efficient running of the Council and to inform future IT implementations. In the second phase of the project Siemens Nixdorf used the CDM information to advise its installation of an advanced geo-information system in the Council's planning department. SICAD was implemented on a mainframe as well as on four UNIX® and three PC workstations. Around 700 Ordnance Survey maps for the Horsham region were fed into the system. A further 300 sets of maps on statutory building restriction building records were also added. SICAD will soon also be accessible on an existing property, geographical and historical databank, and via a registration system. With this databank, Horsham's council personnel can respond quickly and in detail to enquiries on building approvals, for example when they deal with environmental, legal or historical enquiries. For this, SICAD data will be retrieved via networked computers and assembled in the appropriate format. The information is then transmitted back and forth between the appropriate departments – without the need to struggle through a jungle of papers and maps, or having to spend hours searching through archive material. According to Martin Pearson, Horsham's Chief Executive Officer and prime initiator of the IT project: "With Siemens Nixdorf's geo-information system, we have access to a huge volume of information of benefit to all sectors of the community."



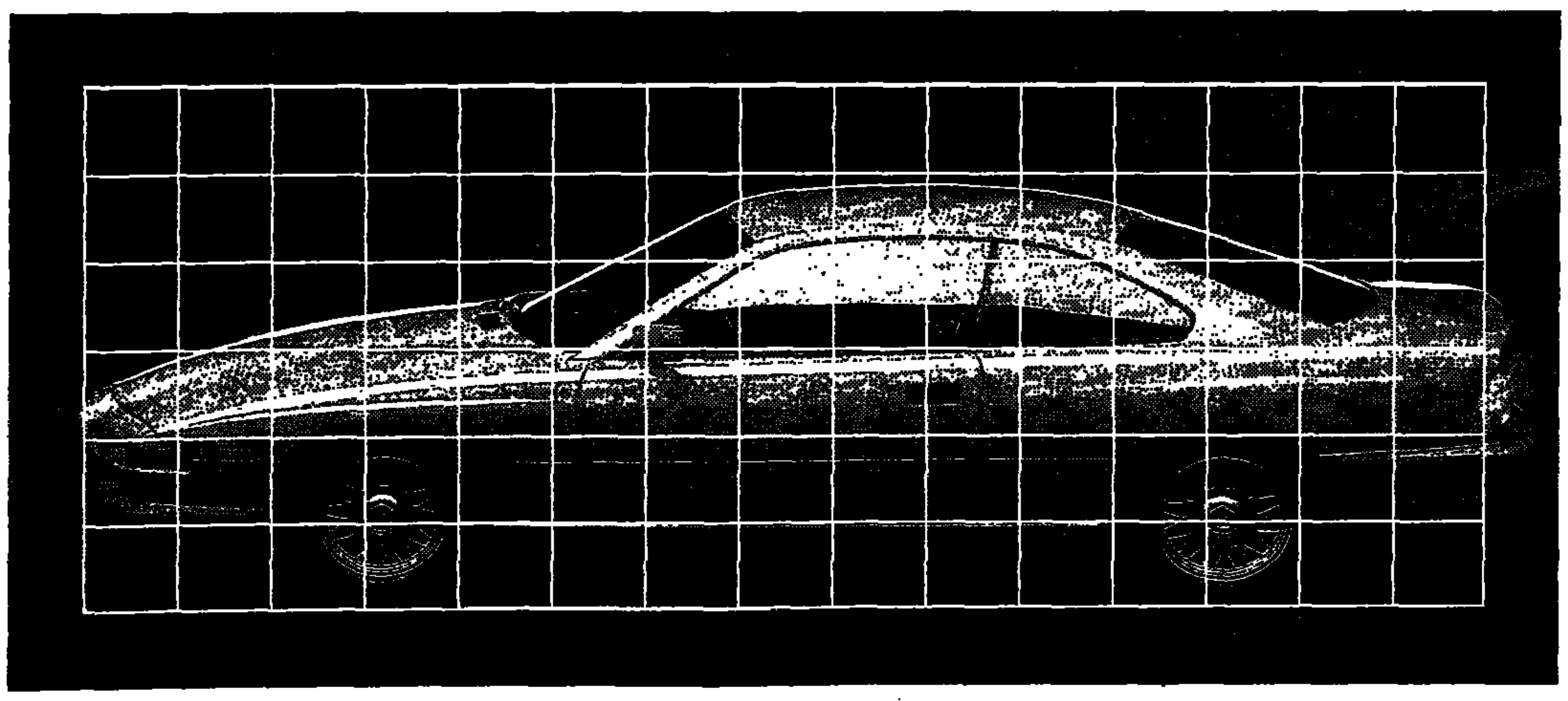
Example of synergy in telecommunications

## Vienna: Austrian Post opts for the direct line between Siemens and Siemens Nixdorf.

*Digital telephone operation from Siemens - service, management and maintenance from Siemens Nixdorf: for the Austrian Post Office and Telegraph Administration (ÖPTV) this is the ideal combination to bring a new level of efficiency into telecommunications.* The OES-E digital telephone network for most of Austria has been controlled by Siemens' EWSD system since 1985, Siemens Nixdorf now brings extra performance to its operational management. BS2000 computers with the TED subscriber and customer care database, and an extra processor for operation and maintenance of the EWSD system, are the heart of the newly established, multi-functional operations offices. Connected to that are the workplaces and the telecommunications installations at the operations offices, Siemens EWSD systems in the exchanges, plus data connections to the ÖPTV computer centre. The synergy effect is demonstrated by employees in the operations offices being able to receive notification of faults in the telephone network via the Siemens Nixdorf and Siemens system connection, and to process them directly. The line operation, for example, can be checked from the BS2000 computer at the touch of a few keys. All the telephone subscribers can be managed via the data base. If, for example, a new connection is requested, the telephone number connection details are entered on the data base by the operator. The BS2000 computer then commands the EWSD system to make the line available. Charging details from the EWSD system are transferred to the BS2000 computer once a day and then conveyed in their processed form to the ÖPTV computer center for invoicing. As well as achieving new levels of cost effectiveness in network operation, ÖPTV, working with Siemens and Siemens Nixdorf, is setting new standards of technology for telecommunications in Europe.

Example of synergy in the automobile industry

## Munich: "Synergy at work" running in top gear at BMW Customer Service.

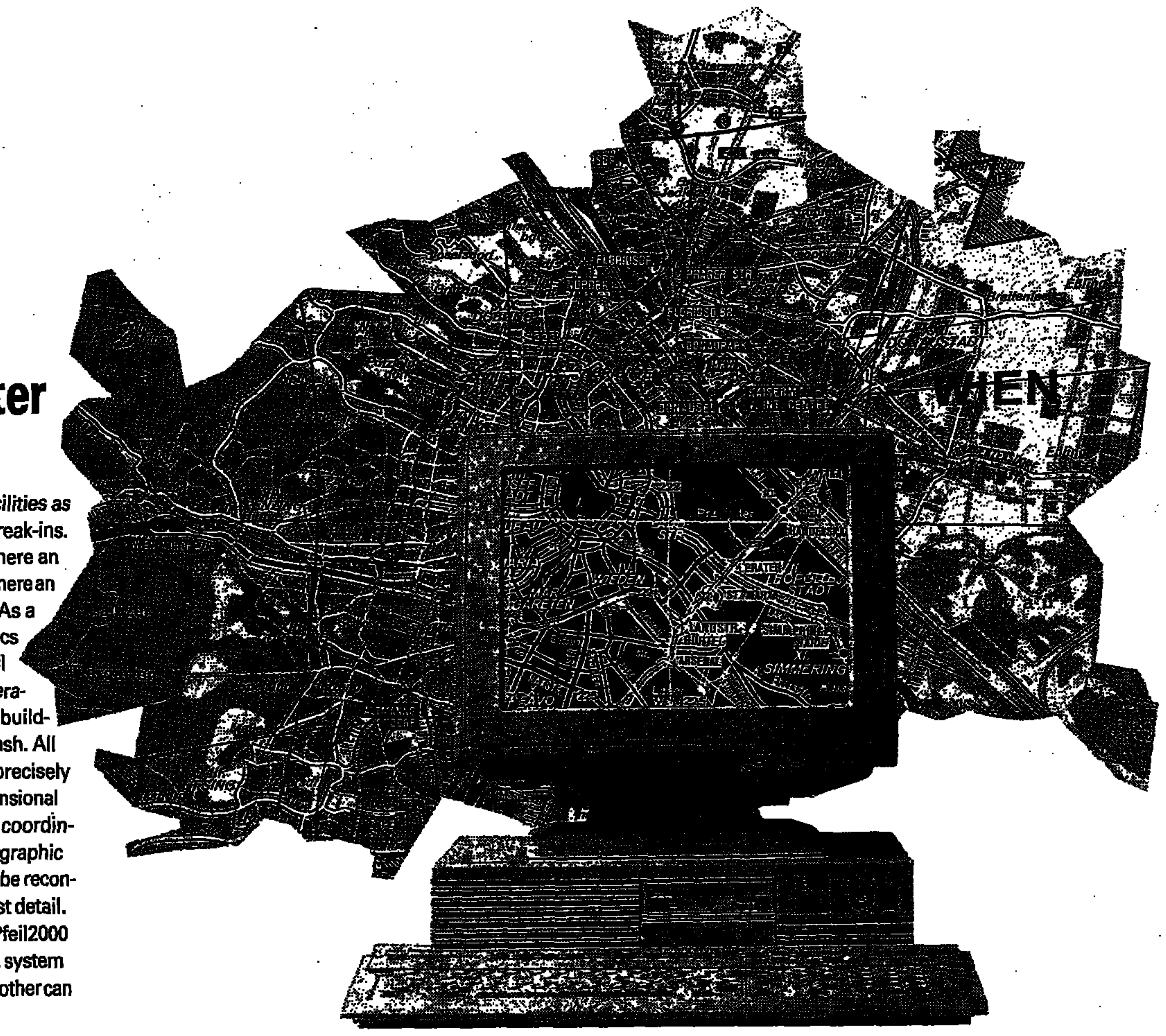


Ever safer, ever more efficient, ever closer to perfection – but as sophisticated as today's automobile technology may be, its maintenance is placing ever greater demands on mechanics and their equipment. For example, for accurate diagnosis of faults within the complex control systems of BMWs, the standard workshop equipment has been inadequate to the task. So the Bavarian car manufacturer has ordered "Synergy at work", combining Siemens' latest automation systems and Siemens Nixdorf's information technology for servicing the latest automobile technology. TESTER, the diagnostics system from Siemens, immediately pinpoints problem areas on the vehicle. TIS, Siemens Nixdorf's technical information system, provides efficient back-up for maintenance and service. As an electronic workshop manual using CD-ROM, TIS not only reduces the flood of paper to a minimum; it also provides BMW service technicians with all the information they need – from details on the right tool for a particular job to a complete guide to repairs and installation. Both systems are combined in a comprehensive dealer information package with other Siemens Nixdorf components, such as the electronic parts catalogue and business management programs for processing orders and for job planning. "Synergy at work" is running in top gear at BMW, providing a highly organised and efficient customer service.

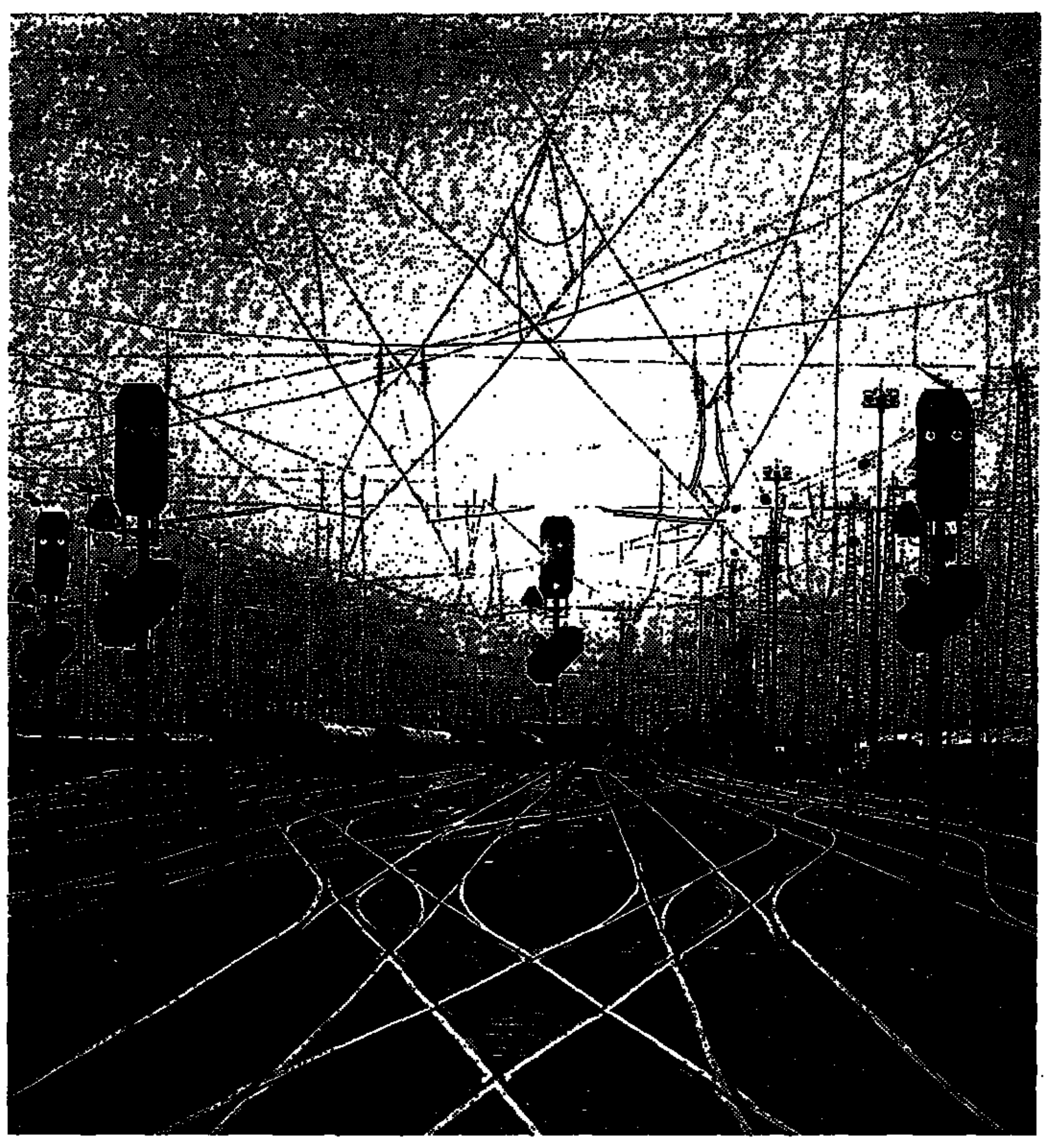
SIEMENS NIXDORF

Example of synergy in police operations

# Vienna: Better informed and faster on the spot, using Pfeil2000.




In traffic accidents, break-ins and robberies, every second counts, and police operations must be perfectly planned. A technical fault or incorrect information supplied to those running the operation can result in a fiasco - and in extreme cases can even cost lives. So, after intensive evaluation of different systems, the Federal Ministry of the Interior ordered "Synergy at work" for the Vienna police force – to establish an integrated operations control system. The hardware and network technology for this system comes from Siemens Nixdorf, and the application comes from Siemens equipment technology. The result is Pfeil2000. The cornerstone of this solution is the Siemens Nixdorf C50-Servers, which are networked with PCs at the operations control headquarters – giving a client-server link which monitors all communications facilities as well as reports of accidents and break-ins. Pfeil2000 knows straight away where an emergency call has come from or where an alarm button has been pressed. As a further expansion stage, a graphics system will be networked with Pfeil 2000 to aid the police in further operational planning: street maps and building plans will be displayed in a flash. All available resources will then be precisely located and depicted in three-dimensional form via an integrated system of coordinates. Pfeil2000 also records all telegraphic data – so later on the operation can be reconstructed, right down to the smallest detail. The client-server architecture of Pfeil2000 additionally guarantees maximum system availability: if one computer fails, another can immediately take over.



Example of synergy in traffic engineering

# Munich: Management system signals the way ahead for Munich North shunting yards.

Siemens and Siemens Nixdorf are looking to put German railways on the right track into the next millenium, with the introduction at Munich North shunting yards of what this forward-looking company eventually plans to implement over the entire rail network: "Computer Integrated Railroading", or the control and monitoring of rail traffic with up-to-the-minute computer technology. As part of the TS '90 transport control system, Siemens Nixdorf has assembled a powerful management system consisting of two H60 processing computers running on the BS2000 operating system, networked workplace servers and portable mini-computers for mobile data acquisition in dialogue mode by radio. Linked with two H60 computers in the Deutsche Bundesbahn computing centre in Frankfurt, these form a powerful systems configuration for rapid and reliable cargo dispatch and freight monitoring of travelling and stationary rolling stock. Which train is arriving from where, at what time and with which wagons? When the train arrives, which wagons need to be put together to form new trains? Thanks to the latest computer technology from Siemens Nixdorf, railway dispatchers have immediate access to this information. All other aspects are managed by "Synergy at work". For completion of shunting operations, information is sent to the Siemens MSR32 process control system, which works with an electronic interlocking unit to control and monitor the remote radio-controlled hump locomotive, clasp retarder, propelling system, signals and points. Trains are dismantled and reformed completely automatically. The automated system operating in Munich is setting the trend for the rest of Germany – and Europe. In-house operations are optimised, shunting operations are controlled effectively, and every link in the logistics information chain from consignor to consignee is covered by continuous monitoring. This means that better use can be made of rail transport capacity, moving German railways one step closer to the goal of "Computer Integrated Railroading" nationwide.

Example of synergy in power supply

# Maria Enzersdorf: Lower Austria Energy Authority plugs in to "Synergy at work".

As a major regional electricity supplier, the Lower Austria Energy Authority (EVN) must organize power distribution with maximum economic efficiency and reliability. This is why EVN is now calling on the services of Siemens Nixdorf, as well as Siemens AG. Siemens Nixdorf's SICAD geographical information system will be used to manage the operation controlled at regional network centres by the SOSYNAUT Siemens software package (in the 100 kV network) and the Siemens SINAUT Spectrum EDP system (in the 20 kV network). These supply power to 670,000 standard charge clients and 3000 special users. The first step has been installation of detailed monitor displays for computers at regional network centres, replacing the previous, oversimplified picture of the supply area. Major changes – for instance, to switching configurations – involved a laborious procedure of moving pins around a chart. Now SICAD helps to update the current status, digitise the information and read it into the regional network centre system. EVN is planning to integrate SICAD and the regional network centre computers even more closely. The synergy will lie in changes to switching configurations, for example, being implemented directly in the SICAD system, and then being passed on automatically to the computers at regional network centres. The data exchange between the two systems will also enable network calculations to be performed in the SICAD system, and provide all the information required for economically efficient and reliable network operation – from load distribution and forecasting preventive maintenance, right through to power consumption and fault statistics.

For further information, please contact:
Siemens Nixdorf Informationssysteme AG,
UK 41, Otto-Hahn-Ring 6, D-81739 München

Synergy at work

# ARTS

Theatre/Malcolm Rutherford

## Sunset Boulevard

Given the imminent closure of *City of Angels*, which I described as the wittiest musical I have seen, I shall try to be exceptionally careful about any adjectives applied to *Sunset Boulevard*, the new show by Sir Andrew Lloyd Webber.

Certainly "witty" is not a word that comes to mind. The nearest it comes to a mordant joke is "It's fun to see how bad bad writing can be." There is also a rather good line about it taking tiles to tango. But perhaps the absence of wise-cracking, double meanings and sly asides is part of its charm. Possibly *City of Angels* failed to be appreciated in London because it seemed too clever by half, trying to combine a script with a musical.

There is no such distraction in *Sunset Boulevard*, which is odd in a way because it comes from a similar Los Angeles set-up. The piece is based on Billy Wilder's 1950 movie and there is plenty of pain in the background. Firmly in the foreground, however, is a sentimental show with some of the stunning Lloyd Webber staging to which we have become accustomed over the years.

In Patti LuPone, there is also a star. Ms LuPone played Evita on Broadway in what has always seemed to me Lloyd Webber's best work. As the faded movie idol, she is no less glittering now. It must be deliberate: the show does not effectively get under way until she appears, which is 20 minutes into the first act. Then *Sunset Boulevard* takes off.

There is something else about Ms LuPone's first entry. She starts to sing almost without having bothered to talk: not just one song, but two. That is when you think what a clever composer Lloyd Webber is: the master of the slow build-up. The sound of a growingly confident orchestra fills the house and you are persuaded that the piece can never look back.

The illusion lasts through the interval and into the start of the second act. As the curtain goes up again, the writer Joe Gillis launches with great panache into the song which has the same name as the show. It looks as if he has come to terms with living off the riches of Ms LuPone's Norma Desmond and is at home in her palatial house and (no doubt) palatial bed.

Yet illusion it is. There is another, younger, poorer girl who also writes scripts. Joe falls for her and she for him. It is not the sentimentality that one objects to. After all, why not? It is the fact that *Sunset Boulevard* then begins to lose its power. All the momentum that has been built up starts to ebb away. The plot, never the strongest point, becomes ridiculous. It is a curious dramatic failing that the girl, having been invited to the great house, should depart with a line as banal as "I can't look at you any more, Joe." She leaves an extraordinary sense of anti-climax.

Again, there is the strange business of Ms LuPone's protective butler. Quite late on he claims that he was her first husband and first director. Is it true? Does Norma Desmond remember or has she simply forgotten as she dreams of returning to stardom? Nothing of this is explained; nothing is developed.

True, there are great set-pieces still to come, not least the finale, though even that is prefaced by the rather feeble shooting of Joe by Ms LuPone as he walks down her stairs. Still, she gets her last great moment. When the media arrive to cover the killing, the butler tells her that the cameramen have come to film her for a new movie. And, of course, she believes it: "This is my life. Just a camera and all you wonderful people out there in the dark."

The sets, designed by John Napier, are as ambitious as you would expect in a Lloyd Webber spectacular, so much so that the production was postponed for two weeks because the machinery failed to work. Ms LuPone wears some wonderful costumes, the work of Anthony Powell, though the variety of gear worn by the extras does not make for great visual harmony in the chorus scenes. This can be distracting from the music.

One song, in particular, stands out and passes the hummable test. "The Perfect Year" is composed to go along side "Auld Lang Syne" on New Year's Eve, and at one stage cleverly it does. What I admire about it is that it looks forward not back, even when the grounds for hope are slim. The words are simple, but touching.

I also admired Kevin Anderson's performance as Joe, very casual at first, very straight and therefore a hard part to play. Yet the trouble with a role like this is that it does not lead anywhere. He is just a decent guy who is not even allowed a dying word. It is a great pity that Noel Coward wrote the song "Mad About the Boy" some years ago. *Sunset Boulevard* quotes it several times, and it would have fitted very well, for that largely is what the piece is about.

Daniel Benzali sings very well as the butler, and he, too, has played in Lloyd Webber before. But it is too strange, phantomish a part to be convincing. Trevor Nunn directs.

Adelphi Theatre (071) 344 0055

Alastair Muir

Patti LuPone and Kevin Anderson

## Spoleto – without music

*William Weaver is entertained by Mamet, Williams and Dario Fo*

The spoken theatre – the "prose" theatre, as Italians call it, even when the dramas are in verse – has always been a part of Gian Carlo Menotti's *Festival of Two Worlds*, though its position has been ambiguous. Some years, drama occupied a major role, and new plays by Tennessee Williams or by Italian writers like Giuseppe Patroni Griffi have been presented in Spoleto's houses. In other years, music and, often, ballet have played the major roles, while one or two plays were given, dutifully, almost as filler.

This year, Italy's drama critics flocked to Spoleto, where they were offered the continental premiere of David Mamet's *Oleanna*, as controversial here as elsewhere; and a revival of Williams's *Streetcar named Desire*, in a superior new translation by Masolino D'Amico and an aggressive, even brutal, but always coherent staging by Elio De Capitani, with a set by Ferdinando Bruni that erased all reference to New Orleans, all local colour (indeed, all colour of any kind). Somehow, this abstraction made some of Williams's poetic tirades, which seemed outdated almost when they were written, become more acceptable, a part of the general madness. This grotesque approach, however, did not rob Mariangela Melato's Blanche of her touching magic. Aleksandar Cvjetkovic pulled off the amazing feat of looking and dressing like Brando, yet still giving a strong, individual, original performance.

Critics, in speaking of Dario Fo, tend to call him not an actor but a "man of the theatre." To some extent, this description simply means that, in addition to performing, he also writes plays and stages them. But there is more to it than that: Fo is one of those artists who, no matter what he does, remains himself, Dario Fo, even while he is convincing you that he is an industrialist or a pope or a clown. So when it was announced that he would perform two works of the 16th century Paduan dramatist Angelo Beolco, known as "Ruzante," the admirers of Fo and the admirers of this elusive, rarely-performed late Renaissance master were understandably excited.

In the event, apparently for bureaucratic reasons, the production could not be realised; instead Fo devised a "meeting" with Ruzante, which was perhaps more useful, if less fun. The evening – Fo standing behind a lectern – began with an almost academic presentation of the figure of Beolco, placing him in the political and social context that are so important to understanding his work. But understanding his work is arduous for a more specific and straightforward reason: he wrote almost entirely in the Paduan dialect of his time, virtually incomprehensible to today's Italians, even if they come from Padua. After his professorial introduction, Fo began to read, practically to perform, first alone, then with the collaboration of his wife and co-star Franca Rame and two other actors, some passages from Ruzante, which Fo had translated not into Italian, but into a modern Paduan-Venetian dialect to some extent of his own invention. For many members of the audience, this was almost equally strenuous to grasp. Even at the lectern, Fo indulged in his familiar posturings and grimacings. Finally, one was certainly convinced of the importance of Ruzante, less convinced perhaps of Fo as the writer's ideal interpreter. It may be that Ruzante's theatre – like that of Plautus, his spiritual ancestor – cannot be reproduced in modern terms. A sad thought, but one that is hard to dismiss.

For some years a regular, highly popular feature at Spoleto has been the season of the marionettes of the Carlo Colla and sons, a company that has delighted generations of Milanese children (and adults) for about a century and a half. Menotti, one of those children, on hearing a few years ago that the Collas were losing their home, helped rescue the troupe, along with the incomparable patrimony of original sets, costumes, texts, scores, and – of course – marionettes, and festival audiences have enjoyed a series of revivals, including the grand spectacular ballet *Excelsior* which, with human actors and dancers, was a triumph at La Scala in the 1880's. This year, in the now-deconsecrated church of Santa Maria della Piaggia, which has been made into a theatre for them, the Collas presented a lesser, but charming piece, *Dalla terra alla luna*, with a moon-walk (or rather moon-dance, with wedding, that made NASA look cheap).

Another recent and fascinating intrusion of the spoken word at the festival is the series of interviews, under the rubric *Testimoni del tempo* (Witnesses of our time), conducted by the critic and journalist Elena Doni, who has the gift of being understated without fawning and informed without showing off. This year her series of guests included Arthur Schlesinger, who attracted a capacity crowd to the intimate Sala Frau, a perfect setting. There, relaxed and urbane, he answered Doni's questions – as well as those of the audience – with pointed wit, evident concern, and profound knowledge. For some Italians, it was a revelation to see this multi-faceted mind at work; and it was clear why so many leaders, Kennedy at their head, listened to the speaker with attention.

Nowadays, every event at Spoleto sells out; and on weekends the town is jammed. And yet, it remains unspoiled. Or rather, it improves, from the festival-goer's point of view; as a new hotel, like the elegant Palazzo Dragoni, or a fine new restaurant like the Apollinare, make a stay in the Umbrian jewel still closer to perfection. Only the audiences are sometimes a trial. Since Spoleto has become "in," the visitors eager only to be seen and, if possible, to spot some celebrity, shamelessly talk through performances (one even read his newspaper during a lovely chamber concert), leave before the end. But this is the price Spoleto pays for its success.

Television/Christopher Dunkley

## Why success is all a question of pitch

While radio is an excellent medium for broadcasting music, television has always had problems: the sound has to be accompanied by something in the way of pictures, and most programme makers clearly feel that they should provide "added value". This notion has reached its logical extreme in the pop video where the pictures are often more interesting than the music and, these days, frequently dominate the experience. On Saturday in *Pictures At An Exhibition: Concerto For Paintbrush And Orchestra* BBC2 came up with a sort of orchestral video. While the orchestra played the Mussorgsky, artist Norman Perryman painted on glass plates which the camera showed us either straight on the television screen or projected onto a tall screen behind the orchestra.

Such ideas are not new. Decades ago a documentary about Picasso's technique was made by setting up cameras behind glass screens upon which the artist worked. Moreover the type of image created by Perryman reminded you of the light shows accompanying rock concerts in the 1960s where oil, water, paint and dyes were mixed and squeezed, sometimes between small glass plates, and then projected on giant screens. The effects were particularly pleasing, it is said, for anyone who happened to be enjoying hallucinogenic substances at the time. My own memories, admittedly somewhat hazy, suggest that the effects at a Doors concert at the ICA and at a *Time Out* concert at – could it have been? – Alexandra Palace were far more dramatic and gorgeous than anything we saw on television on Saturday.

In any case the idea of Perryman "interpreting" the music through paint and working to the rhythms of the orchestra was irritating. It brought to mind a passage from *Howard's End*: "What *is* the good of the arts if they're interchangeable? What *is* the good of the ear if it tells you the same as the eye? Helen's one aim is to translate tunes into the language of painting and pictures into the language of music. It's very ingenious and she says several pretty things in the process, but what's gained I'd like to know?" What indeed.

*Much more entertaining was Discovering Beethoven*, also screened by BBC2, which consisted of a lecture about the fifth symphony with musical illustrations followed by a performance of the entire work. The success of the venture stemmed almost entirely from the personality of Michael Tilson Thomas who conducted the orchestra and choir (why a choir for the fifth? – well, he showed us how it *might have sounded had the composer* given us a choral section as in the ninth) and delivered the lecture. This was cleverly pitched so that it neither insulted anyone's intelligence nor demanded such musical expertise as to put people off. It took us from Gregorian chant to Beethoven via Monteverdi with remarkable ease and lucidity. Tilson Thomas has that trick of conveying learning without supercilious didacticism which was such a winning characteristic for Kenneth Clark and Jacob Bronowski.

*The Reithian notion of aiming programmes slightly above the heads of the audience has been turned upside down*

Of course in 1993 many broadcasters view that sort of expertise with deep suspicion. The Reithian notion of aiming programmes slightly above the heads of your expected audience has been turned upside down: now broadcasters are competing to see who can aim lowest. Some years ago Granada, then the most highly regarded commercial television company in the world, launched what was planned as a major series called *Man And Music*. Four or five splendid documentaries were completed, with extensive foreign footage and lots of expensive archive research. But what has happened to the rest of the series? Today it is not programme quality which gets Granada's name in the newspapers but its predatory activities in the stock market.

*

The magazine *Time Out* is, of course, the most fashionable and flourishing of London's "what's on" magazines. Launched in the 1960s, it has stayed at the centre of successive social trends and now toes the sort of politically correct line which avoids publication of sexually stimulating photographs unless they appeal to homosexuals. This month it ran a feature about female comedians which neatly encapsulated the received wisdom on this topic: fewer (or to use their word, less) female than male *comedians appear on television and* on the London club circuit because of prejudice against women. "Almost anybody, no matter how liberated, reacts differently to a woman trying to be funny. There's this arms folded 'show us what you can do' type attitude."

Just as it is repeatedly asserted of *television in general that* "you have to be twice as good to get on if you're a woman" so "women have to work much harder to get an audience's trust" and "it's just not seen as attractive for women to be funny; people see it as ugly and unladylike ... The industry is discriminating and under-serves a rich seam of female talent ... it's important to ask why so few females feel able to make it in comedy". Never at any stage does anybody even whisper the suggestion that perhaps there simply are not very many talented female comedians around, yet all the evidence suggests that this is the only reason for the disparity between the sexes.

*When you think of the dramatic* inequality between men and women in other activities (orchestral composition, philosophy, chess, physics, cartooning) this scarcely seems surprising. And when you remember the global success achieved as much as 40 years ago by a woman who did prove her talent – Lucille Ball – you feel obliged to ask what happened to the prejudice in her case? There is such pressure in broadcasting these days to discriminate in favour of women that, far from needing to be twice as good to get a chance, you only need to be half as good as a comparably inexperienced man. But while broadcasters may desperately kid themselves that the talent is there so *that a new one-woman series is* justified (Emma Thompson, Tracey Ullman and Josie Lawrence come to mind) they cannot force the public to share their blinkers. The idea that this is misogynistic prejudice on the part of viewers rather than the ability to discriminate would be more convincing if Victoria Wood, French and Saunders, Ruby Wax and Sandi Toksvig had not been so successful.

*'Almost anybody, no matter how liberated, reacts differently to a woman trying to be funny'*

Nor can you accuse these successful women of abandoning their sex and buying acceptance by becoming quasi men (an argument used about leading female comics in the Victorian music hall). Since giving birth Ruby Wax has specialised in detailed and discursive, not to say lurid, sequences about childbirth, and the funniest routine in *Victoria Wood: Sold Out* on Saturday was her account of buying a pregnancy testing kit and attempting to use it in a public lavatory.

To more strait-laced viewers that may sound distasteful, but it is as pure as the driven snow compared to the material used by somebody such as Jo Brand in television's late night alternative comedy slots. Note the way Brand deliberately emphasises her natural unattractiveness in her dress, hairstyle and facial expressions; listen to her man-hating diatribes, wonder to yourself what would happen to a man who delivered a line as nasty as her threat to sit on men's faces at certain times, and it is not hard to see why no one offers her a prime time slot. If you point to the violent contempt for all men expressed in the work of so many of these female comics and suggest that this may have something to do with their unpopularity they narrow their eyes and hiss remarks about "centuries of mother-in-law jokes" as though joking about a notoriously difficult relationship was justification for spitting out a stream of hatred against half the human race. It is difficult to imagine a nastier prejudice than that of these female comics against all those who happen to be of a different sex.

## INTERNATIONAL ARTS GUIDE

### AIX-EN-PROVENCE

This year's festival, just opened, has a diverse trio of operas. Weber's musically abundant Euryanthe is conducted by Jeffrey Tate with a cast led by Thomas Moser, Andreas Schmidt and Karen Huffstodt. Handel's magnificent Orlando brings together William Christie's Les Arts Florissants and a staging by Robert Carsen, with a cast led by Felicity Palmer and Lynne Dawson. Don Giovanni is revived from last year, with a cast including William Shimell and John Mark Ainsley. Among the concerts are Bach's B minor Mass conducted by Frans Brüggen (tonight in the Cathedral) and Campra's L'Europe galante (July 28 in the Archbishop's Palace Theatre). Recitalists include Andreas Schmidt, Gundula Janowitz, Leila Cuberli and Nathalie Stutzmann. Ends July 28 (4217 3434)

### AVIGNON

Molière's Dom Juan, directed by Jacques Lassalle, is this year's opening production (till July 20). There are two Jorge Lavelli productions - Edward Bond's Maison d'arrêt (July 15-23) and Steve Berkoff's Kvetch (July 27-Aug 2). Other attractions include stagings of Bulgakov's Adam and Eve (till Sun), Sophocles' Oedipus at Colonus (July 27-Aug 1) and a Russian-language version of Tom Stoppard's Rosenkrantz and Guilderstein are Dead (July 27-Aug 1). The contemporary music programme focuses on Harrison Birtwistle and Klaus Huber. Ends Aug 2 (9086 2443)

### BAD KISSINGEN

The closing performances of the 1993 Kissinger Sommer feature The English Concert with Trevor Pinnock tonight, London Brass tomorrow, Weimar Staatskapelle with vocal and instrumental soloists on Fri and Sat, and soprano Cheryl Studer on Sun (0971-807110)

### BAYREUTH

Interest at this year's festival, opening on July 25, focuses on a string of debuts. East German dramatist Heiner Müller tackles his first-ever opera production, Tristan und Isolde, designed by another Bayreuth debutant, Erich Wonder. After a decade as Bayreuth's reigning Kundry, Waltraud Meier attempts the soprano heights of Isolde, while Siegfried Jerusalem tackles his first Tristan. In Parsifal, conducted by James Levine, the new Kundry is Deborah Polaski, while Poul Elming and Linda Finnie join the cast in Werner Herzog's production of Lohengrin. Donald Runnicles returns to conduct Wolfgang Wagner's production of Tannhäuser with a cast led by Wolfgang Schmidt, Tina Kiberg, Eike Wilm Schulte and Manfred Schenk. Giuseppe Sinopoli conducts Dieter Dorn's 1990 production of Der fliegende Holländer with Bernd Weikl as the Dutchman and Sabine Hass as Senta. Ends Aug 28 (0921-20221)

### CANNES

The annual chamber music festival organised by pianist Gabriel Tacchino opens on Fri with a concert by the Soloists of Moscow and Montpellier, featuring music by Grieg, Britten, Barber and Mozart. Tacchino gives a recital of Schubert, Beethoven and Liszt on Sun. Viola virtuoso Tabea Zimmermann and pianist Georges Pludermacher join the Sine Nomine Quartet next Tues for a programme of Schumann, Hindemith and Mozart. Other visiting artists include pianist Grigori Sokolov and violinist Dmitri Sitkovetsky. Ends July 30 (9298 6277)

### LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. In this year's opening concert on July 31, Brigitte Engerer is soloist with the Novosibirsk Philharmonic Orchestra from Siberia. There are 33 concerts in all, with programmes celebrating anniversaries of Grieg, Tchaikovsky and Rakhmaninov, a cycle of Schubert sonatas on modern concert grand and forte piano, a Debussy series using period instruments and introductions to Medtner and Corigliano. The line-up of artists includes Christian Zacharias, Nikolai Demidenko, Maria Joao Pires and Stephen Hough. Ends Aug 22 (4250 5115)

### MONTPELLIER

Radio France's annual festival, just opened, continues to promote off-the-beaten-track operas in concert format. This year's line-up includes Morlacchi's Barber of Seville, Wagner's Rienzi, Zemlinsky's Birthday of the Infanta, Puccini's Le Villi and – best of all – Reyer's grand, unjustly neglected Sigurd, with a fine cast headed by Chris Merritt. Other highlights include a Beethoven piano concerto cycle with Brendel, Marriner and the ASMF, Dutilleux's Violin and Cello Concertos played by Pierre Amoyal and Lynn Harrell, the Gustav Mahler Youth Orchestra with Abbado and a Wagner concert with Hildegard Behrens. Ends Aug 11 (6702 0201)

### RUHR

The Ruhr Piano Festival features 40 internationally-renowned musicians playing in nine German cities, including Bochum, Gelsenkirchen, Duisburg, Hamm and Herten. There is no programme theme, but several concerts include an introductory talk by German author and critic Joachim Kaiser. Pianists featured over the coming month include Oleg Maisenberg, Nelson Freire, Dmitri Alexeev, the Labeque Sisters and Melvyn Tan. Ends Aug 14 (Rhein Ruhr Ticket 0201-268081)

### ORANGE

This year's operas in the open-air Théâtre Antique are La traviata (July 17 and 20) with Kathleen Cassello, Roberto Alagna and Paolo Coni, and Otello (Aug 7) with Vladimir Atlantov, Alain Fondary and Nina Rautio (9034 2424)

### SAN SEBASTIAN

Highlights of this year's festival (Aug 16-Sep 2) include Pier Luigi Pizzi's Monte Carlo production of La traviata, St Petersburg Philharmonic with Temirkanov, Spanish National Orchestra with its chief conductor Aldo Ceccato, a series of organ recitals devoted to the works of Messiaen and church concerts featuring the Hilliard Ensemble and others (Quincena Musical, Teatro Victoria Eugenia, Reina Regenta s/n, 20003 San Sebastian, Spain. Tel 043-481238 Fax 043-430702)

### SANTANDER

The festival opens on July 31 with a concert by the Philharmonia Orchestra. Other visitors include Anne Sophie Mutter, the Scala Orchestra with Muti, and a bevy of Russian artists – the St Petersburg Philharmonic and Bolshoy Opera Orchestras, the St Petersburg State Ballet and the Kirov Opera, which gives performances of Don Carlo and Prince Igor. Ends Aug 31 (Festival Internacional de Santander, C/ Gamazo s/n, 39004 Santander, Spain. Tel 042-314819 Fax 042-314767)

### SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany, in venues with a more local atmosphere than most international festivals. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki and several less familiar compatriots. The line-up over the coming week includes Borodin Quartet at Haseldorf, Schleswig and Wotersen, the Festival Orchestra conducted by Semyon Bychkov at Flensburg, Apenrade and Itzehoe, and Margaret Price song recitals at Kiel and Wotersen. Other visitors later in the festival include Anne Sophie Mutter, Shura Cherkassky and James Galway. Ends Aug 22 (0431-567080)

### HEIDELBERG

This year's open-air festival performances at Heidelberg Castle begin on July 28 and include stagings of Haydn's L'isola disabitata and Cav and Pag. Ends Aug 31 (Konzertkasse, Theaterstrasse 4, D-6900 Heidelberg. Tel 06221-583521)

### ARTS GUIDE

**Monday:** Performing arts guide city by city.
**Tuesday:** Performing arts guide city by city.
**Wednesday:** Festivals Guide.
**Thursday:** Festivals Guide.
**Friday:** Exhibitions Guide.

**European Cable and Satellite Business TV**

(All times are Central European Time)

**MONDAY TO THURSDAY**
**Super Channel:** European Business Today 0730; 2230
**Monday Super Channel:** West of Moscow 1230.
**Super Channel:** Financial Times Reports 0630
**Wednesday Super Channel:** Financial Times Reports 2130
**Thursday Sky News:** Financial Times Reports 2030; 0130
**Friday Super Channel:** European Business Today 0730; 2230
**Sky News:** Financial Times Reports 0530
**Saturday Super Channel:** Financial Times Reports 0930
**Sky News:** West of Moscow 1130; 2230
**Sunday Super Channel:** West of Moscow 1830
**Super Channel:** Financial Times Reports 1900
**Sky News:** West of Moscow 0230; 0530
**Sky News:** Financial Times Reports 1330; 2030

## Edward Mortimer

# No bite without teeth

### Europe needs its own troops and the will to commit them

Last week I gave you the worm's eye view of Europe, from the Balkans. Now look at the continent (or subcontinent) from the other end of the telescope: the privileged centre, looking out. This week I was invited to a cosy little get-together in Paris, organised by the Konrad Adenauer Stiftung, one of those well-endowed "foundations" associated with German political parties (in this case Chancellor Helmut Kohl's own CDU.)

Only six countries were represented: the Big Three of the European Community (Germany, France, the UK) and the Hopeful Three of central Europe (Czech Republic, Hungary, Poland) – the latter being countries which have made a convincing transition to democracy, are well on the way to becoming market economies, and are directly contiguous either to the existing EC or (in the case of Hungary) to the EC as it should be after Austria joins in about 1995.

We were there to talk about "integrating the states of central and eastern Europe into western structures". But the structures discussed were mainly those concerned with security, rather than the EC as such. The keynote speaker was Karl Lamers, the CDU/Christian Social Union spokesman on such matters, who proposed that the "Visegrad countries" (the Hopeful Three plus Slovakia) should be admitted to the Western European Union, as a step on the way to full membership of both the EC and Nato.

Everyone appreciated Mr Lamers's good intentions, but this specific proposal did not arouse much enthusiasm. WEU is prized by some for its strength and seriousness on paper, but despised by others for its weakness and frivolity on the ground.

At present it has only 10 full members, all of whom also belong to both the EC and the Atlantic alliance, and are bound by treaty to come to each other's assistance if attacked – a stronger commitment than that which binds Nato members, whose treaty leaves each member to decide for itself how to respond if one of the others is attacked. At Maastricht, WEU was formally designated as both the "European pillar" of the alliance and the "defence component" of the future European Union.

All of which makes it quite a serious affair: not so much a step on the way to either body as an inner sanctum where both overlap. But when it comes to military hardware and organisation, WEU is at best a pale shadow of Nato. Its main area of practical activity in the last year or so has been the enforcement of sanctions on Yugoslavia, and it has done little to make the operations more effective. If anything, it has got in Nato's way, by duplicating the chains of command through which forces belonging to the same group of countries are controlled.

**When it comes to *military hardware* and organisation, WEU is a pale shadow of Nato**

Both Nato and WEU have sought to involve central and east European countries in their activities, realising that if they did not contribute to the integration of those countries with the west they would *appear completely irrelevant to* Europe's post-cold war security problems. But neither has yet been able to satisfy the main demands of those countries, *which are for full integration* and security guarantees.

Nato has set up NACC (pronounced Nack-Cee), the North Atlantic Co-operation Council, which has done some useful work but is devalued in the eyes of central Europeans by the fact that it includes a lot of remote ex-Soviet republics, in whose security Nato clearly has at most a marginal interest. (Some are already up to their necks in warfare.) *WEU* has avoided that mistake, confining its attentions to countries it sees as eventual candidates for EC membership: the Visegrad four plus Bulgaria, Romania and the three Baltic states. But short of full membership, with the explicit security guarantee that that would bring, it has little of practical value to offer.

Central Europeans have looked carefully at western security structures. They have no doubt that for the foreseeable future Nato is the one worth dealing with, and if possible belonging to. "Consequently," said a Czech speaker in Paris this week, "we do not agree with some west European countries which try to seek in WEU an alternative to the Atlantic alliance."

That dig was aimed not at Mr Lamers, who genuinely sees WEU as binding the EC and Nato closer together, but at the French – who, even while claiming to want a continued US presence in Europe, constantly warn that it is not to be counted on, and stress WEU's link to the EC while playing down its link to Nato.

Yet within the west that argument has cooled down a lot in the last year. France, of course, remains outside Nato's integrated military command. But the Germans did succeed *in brokering an agreement on* the circumstances in which the Franco-German "Eurocorps" would be available for Nato service, and neither in London nor in *Washington is it* any longer seen as a dire threat to the alliance.

At the same time the US's firm refusal, despite European pleas, to put troops on the ground in Bosnia to back the Vance-Owen plan has given some substance to the French argument. Clearly there are contingencies where Europe will need a capacity to do *something military, but where* the US, without being strongly opposed, will not feel its own interests sufficiently engaged to be willing to commit troops.

Enter, presumably, WEU. But brandishing those three magic letters will not help unless Europe itself has the troops needed and is willing to commit them. And that will not be the case unless Germany *can overcome its* political and constitutional inhibitions about deploying troops in a peace-enforcement role.

Mr Lamers, the ball is in your court.

# Good try, but could do better

### Can Tecs shift their strategy from skills training to economic regeneration, asks Lisa Wood

The chief executive of the Training and Enterprise Council looked pensive as she listened *to a succession of* government ministers last week spelling out what they expected Tecs to deliver.

It was a long list: what part, for example, could Tecs play in improving educational standards? How should they transform the skills of the workforce, or help companies to improve their competitiveness?

"We have only existed for three years and we are getting better all the time," said Mrs Olivia Grant, chief executive of Tyneside Tec. "It is not that we are not eager and willing to do more – but it is a hell of a task they are asking of us."

The event was the third annual conference, in Birmingham, of the 82 Tecs in England and Wales. It was attended by more than a thousand Tec directors and a drove of ministers. Mr John Major, the prime minister, then in Tokyo, sent a video message.

Tecs were set up in 1991 as the government's main response to mounting anxiety about the UK's industrial competitiveness and the inadequate skills of its workforce. They represent the government's most radical experiment in public-private partnership. *Funding for the Tecs,* whose boards are dominated by senior business executives, will be £2.3bn this year.

Their brief at inception was *to run government programmes* for the unemployed more efficiently (any efficiency savings can be used to reinvest in local projects), and to become involved *in their local* economies. They would assess and address local skills needs and set priorities for economic development with other agencies such as *local authorities.* The idea was to help bolster the wider economy by tackling skills and enterprise issues at local level.

That was the mission. Government league tables, to be *released next week, will show* that a growing number of Tecs are having a small, but significant impact on what have long been seen as deep structural problems in the British education and training systems. The tables will show that Tecs – albeit with widely differing performances – are getting better at placing young people in training schemes, where they *are gaining better qualifications* than in the past; they are equipping more unemployed adults with vocational qualifications; and they are encouraging more companies to train workers to match their business requirements.

But there have been frustrations for the Tecs. The government, their main customer, concerned at rising unemployment, has forced them to concentrate most of their efforts on improving the two main training programmes for young people and the adult unemployed. This meant they were unable to tackle effectively the broader part of the brief – promoting enterprise.

But last week at the Tec conference the government reaffirmed its original mandate to Tecs – much to their delight. Mr David Hunt, the new employment secretary, made it explicit that he wanted them to live up to all of their name.

"I want the enterprise objectives of Tecs to come to the fore," said Mr Hunt, who has told his civil servants that the employment department is an economic – as distinct from a social welfare – department.

The Tecs should do this by *building on what they had* already achieved in local enterprise projects and skills training.

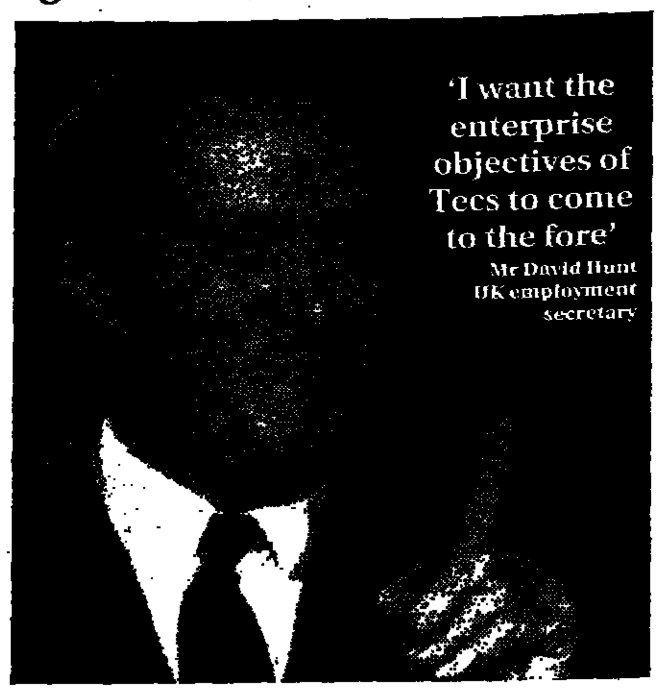
For the past 18 months or so *there has been a mounting* campaign among the 1,000-odd Tecs directors about their enterprise role – that part of the brief that persuaded business leaders such as Sir Alistair Morton, chairman of Eurotunnel, to join Tec boards.

Their argument is simple: it is no good concentrating on training unemployed people for jobs when there are so few jobs *to go round. Thus the balance* of the Tecs' work should logically shift from training to enterprise: this would embrace initiatives from promoting inward investment to setting up soft loans for companies.

The Tecs are aware this part of task will be tough.

"Enterprise is a difficult word," said Mr Edward Roberts, chairman of G10, the *group of Tec chairmen which* represents common Tec concerns to the government.

"It means lots of different things, from supporting businesses small and large, to the whole of economic regeneration. Tecs must also be part of and party to setting local economic strategies."



'I want the enterprise objectives of Tecs to come to the fore'
Mr David Hunt
UK employment secretary

Mr Michael Hanson, chief *executive of South Thames* Tec, said: "If you took everything that was said at the conference by both the government and Tecs you would think we were the salvation of the nation."

The government must help, said Mr Hanson, by first putting its own house in order. *Government departments* had to have clear and co-ordinated objectives and relationships with Tecs. Further, Tecs want greater clarity about the way they fit in with other government schemes, such as the new Urban Regeneration Agency, set up to try to improve the use of derelict land.

Mr Hanson said: "We are important but we can only be *one of a number of* contributors to a larger effort. There are no magic buttons. But the government must play an active part. It could for example help us persuade our prospective partners that being involved with us is worthwhile."

There is further support for the importance of the government's co-ordinating role in a study by Mr Bob Bennett, senior lecturer in geography at the London School of Economics, to be published this autumn.

Mr Bennett points to the Tecs' new "one-stop shops" as one of their most successful business advice projects. The brainchild of Mr Michael Heseltine, the secretary of state for trade and industry, these pull together under one roof a wide spectrum of business aid agencies, including Tecs, chambers of commerce *and local enterprise agencies.*

However, Mr Bennett says the Tecs' record of promoting enterprise and economic development is patchy. A big problem, according to Mr Bennett – a strong advocate of Tecs merging with chambers of commerce – is the government's current weighting of Tec budgets towards training.

*Tecs made clear to Mr Hunt* last week they wanted the balance of funding to be reviewed, and they presented him with a list of demands to promote enterprise, including tax relief for companies pursuing best training practice, and more flexibility in their own budgets to plug skills gaps and encourage local employment.

*Funding is critical* to their progress, but Tecs are showing they are able to work as effective local catalysts. They have the remit to bring organisations together, and *to identify* areas where they can best make a contribution. Examples of Tecs working along these lines include:

- Lincolnshire Tec, which is working in partnership with its county and district councils on inward investment. They have jointly set up a free-phone service for inquiries from potential investors. The Tec can also offer investors training tailored to their needs.
- Northumberland Tec identified a need for low-cost loans to local business. It helped set up new venture capital arrangements with local banks.
- Leeds Tec identified a need for more cost-effective training among local printing companies. The Tec brought together a group of companies and contributed to the cost of training equipment to be used jointly. Such collaboration is rare among competing companies. *Mr Hunt* believes that is "just the sort of catalysts Tecs can be".

But does it add up to a strategy?

*Mr Richard Guy, chief* executive of South and East Cheshire Tec, said: "Each Tec has a different local plan but generally they are around the broad themes of helping *individual* businesses to start up and grow, improve their skills base and promote inward investment along with other partners.

"That is set down as a local strategy. *But, if you added* them all together, that adds up to an industrial strategy."

But Tecs need the government's help to turn that into a national strategy, engaging all its departments in a common cause.

As Britain emerges from recession, the urgency and scale of the task still facing the Tecs and government is underlined by a recent study by the International Institute of Management Development of the extent to which education and training in 22 developed countries was meeting the needs of a competitive economy: the UK ranked 20th.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## LETTERS TO THE EDITOR

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### An adequate retirement income for all

*From Mr Frank Field MP.*

Sir, Your editorial ("Private pensions", July 13) suggests one solution to the cost of funding state pensions is to let them "gradually wither on the vine". That is what is happening. By the middle of the next *century, the value of the state* retirement pension will have shrunk to a mere 8 per cent of average earnings.

It is this dark fact, combined with a current £35bn bill for providing inadequate pensions, which was the starting point for the Fabian pamphlet entitled Private Pensions for All, which Matthew Owen and I wrote and submitted as evidence *to Labour's Social Justice Commission.*

Our proposals do not envisage – as you have reported – the scrapping of the state pension. The aim is to gain a mix of public and private pensions *so that everyone gains two* pensions and thereby an adequate retirement income. Our assumption here is that there is a limit to what individuals want to pay in tax. The proposals therefore combine tax, compulsory contributions from employers and employees, while leaving open the opportunity for people to make additional voluntary contributions.

*The reform package envisages:*

- A substantial increase in today's pension financed by the scrapping of the tax concession on lump sum payments.
- *The compulsory inclusion* of all workers, including part-timers, in company or private pension schemes.
- The focus of taxpayers' money to finance the contributions of the unemployed, disabled and carers who are prevented from working.
- While everyone will continue to receive their state pension a clawback will operate on *those with substantial private* pensions.
- Each and every one of us will have a right to own our own pension fund assets.

We hope the Social Justice Commission will poll voters on what they think of this plan. While any new idea is open to misinterpretation, Labour's aim must be to have an agenda to which the government is forced to react, and which voters will enthusiastically endorse at the next election.

Frank Field,
*House of Commons,*
*London SW1A 0AA*

### Oxleas Wood victory is not an isolated case

*From Mr John Stewart.*

Sir, Tim King gave a good account of the campaign that saved Oxleas Wood ("If you *protest in the woods today*", July 10), but he was wrong to conclude that it "looks like an isolated cause". It is only the latest in a number of road schemes *to be dropped since* 1990: the London Road Assessment Studies; the Exeter northern by-pass; the Hereford by-pass; the Woodstock by-pass. Contrast this with the 1980s *when the Department of Transport* rarely suffered a setback.

Moreover, there is a growing transport and environmental movement which is calling for a switch of road-building resources to investment in other modes of transport. The Oxleas Wood victory will have given it added momentum, placing other roads schemes long cherished by the transport department in real danger.

John Stewart,
*chairman, Alarm UK (Alliance Against Road-building),*
*13 Stockwell Road, London SW9*

### Full picture on Gatt

*From Mr Donald S Jackson.*

Sir, Your article on winners and losers in the Uruguay Round of the General Agreement on Tariffs and Trade ("World Trade News: Those who stand to win and lose in thewrangling", July 9) sets out most lucidly the principal issues, and those suppliers of goods and services *who stand* to benefit. Any exposition of the issues at stake in the current negotiations should surely include an analysis of winners and losers among the purchasers of those goods and services – that is consumers around the world. Given that in virtually all cases consumers stand to benefit from progress in the Gatt talks it was most surprising to see the only mention of consumers under the heading of Losers (third world consumers unable to afford expensive pharmaceuticals).

It is the focus on protected producers who stand to lose, and the lack of emphasis on benefits to consumers, that has enabled politicians to drag their heels on Gatt talks for the last seven years. While it is not incumbent upon your journal to lobby actively for or against the Uruguay Round, it is at the least incumbent upon you to show a fuller picture than offered by your otherwise most informative article.

Donald S Jackson,
*assistant director,*
*Matheson Investment Management,*
*Jardine House,*
*6 Crutched Friars,*
*London EC3N 9HT*

### Costly move over border

*From Mr Charles Harvey.*

Sir, There is a touch of Monty Python in the fact that in this day of instant electronic *money transfer and an alleged* "common market" that Visa International can make your headlines with "Visa plans small payments cross-border *service*" (July 12) *for small* companies and individuals. Is not the cheap, simple transfer of funds around Europe a prerequisite of a Single European *Market? Why have not our* Brussels bureaucrats made this, rather than standards for false eyelashes, the priority?

I have just tried to pay into Barclays a cheque *for £13.33* drawn on a French bank. I was told there would be an initial handling charge of £4, then a £2 charge for the interest (usury?) while the cheque was being handled, and a further £6 for a "correspondence" charge: a total of £12. Net receipts £1.33. The sooner we have a common currency the better for all of us, except the banks.

Charles Harvey,
*58 Keyford,*
*Frome, Somerset BA11 1JT*

### Private royal palaces on parade

*From E F Grove.*

Sir, The article on royalty by John Lloyd ("Superstar route for royalty", July 10) is in need of correction.

He states that all of the palaces "including the so-called private possessions like Balmoral and Sandringham" should be opened up to the public.

*He obviously has not visited* these two residences or he would have discovered that both are accessible to the public. At Sandringham he could *not only see the house but also* the extensive country park, the *stunning* gardens and grounds and the museums (including a motor museum).

At both places he could have enjoyed a cup of tea and a meal. *He* could have bought granny a souvenir and at Sandringham the children could have tried the adventure playground.

What more does he want?

E F Grove,
*Chapel Cottage,*
*West Newton,*
*Kings Lynn,*
*Norfolk, PE31 6AU*

### Objectivity in radio jamming

*From Y Kovach.*

Sir, Your editorial on Bosnia ("Strong words, weak action", July 9) ends on a James Bond type of note by referring to a mystery ship "that was broadcasting objective news to all the ex-Yugoslav republics from offshore in the Adriatic".

It ceased operations "because of a Serbian complaint to the International Broadcasting Union".

You urge the nations that are enforcing sanctions in the Adriatic to render all necessary assistance to enable the ship to resume operations.

I can only conclude that the Serbo-Croat programmes of the BBC World Service and of the Voice of America, which, incidentally, are not subject to jamming, are deemed by you to fall short of objectivity.

Y Kovach,
*38 Lebanon Park,*
*Twickenham,*
*Middx TW1 3DG*

هكذا من الأصل

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Wednesday July 14 1993

# The value of clean water

*PURER DRINKING* water, cleaner rivers and less polluted beaches have clear attractions. But what is the price of delivering them?

Too high, according to Mr Ian Byatt, director-general of Ofwat, the economic regulator of Britain's water industry. Meeting European Community environmental commitments agreed by the government since the industry was privatised in 1989 will lead to an extra £1.5bn a year in capital investment over the next five years, on top of the £3.5bn currently being spent. Additional commitments under discussion could increase the cost by a further £1bn a year.

For the average customer, the full programme would mean an extra £54 a year on bills between 1995 and the end of the century. Customers would not be prepared to put up with such increases, thinks Mr Byatt. The government should therefore renegotiate EC directives on sewage treatment and drinking water quality.

Mr Byatt's argument has been challenged by the National Rivers Authority, the industry's environmental regulator. It says Britain's water charges are low by comparison with the rest of Europe, bills would not need to rise by as much as Ofwat suggests because of the scope for efficiency improvements and customers would be willing to pay for better standards.

It is difficult to know for certain how much customers would be prepared to pay for higher quality in an industry where they have no opportunity to shop around. But the bulk of the evidence suggests that too much attention has been paid to standards and not enough to costs. Customer surveys show that in most parts of the country there is limited willingness to pay much more for additional improvements. Moreover, a raft of complaints to Ofwat and politicians about the cost of current bills suggests there would be stiff resistance to higher charges.

Nor is there much evidence that better standards would improve public health. Mr Byatt argues that the new sewage measures would mean that a town with a population of 10,000 produced the pollution equivalent to 27 pigs, while the drinking water provisions would result in pollution equivalent to one aspirin in an Olympic-size swimming pool.

Pointing out that these are EC standards to which Britain is already commited, as the NRA does, is not a sufficient counter-argument. The huge sums involved mean this is a sufficiently important issue for EC governments to re-think the regulations. Moreover, given the current stress on subsidiarity, this surely is an example of regulation which should be dealt with at the national level.

Mr Byatt yesterday asked the government to make its mind up whether it wants higher standards or higher prices. This puts ministers in a tight corner. If standards are relaxed, they will lambasted by the green lobby; if they are maintained, customers may complain. Ofwat has made an impressive case. It demands a political response.

# Saving Somalia

AT THE heart of Somalia's deepening crisis is the fact that the United Nations, and in particular the US, have not faced up to the implications of their military intervention. The humanitarian imperative that prompted it remains compelling, for Somalia manifestly cannot save itself. To withdraw now would be to compound a tragedy: it would mean abandoning a country in terminal distress while undermining the credibility of UN interventions elsewhere. But for the UN to continue in its present role, neither peacekeeper nor peacemaker, also invites disaster.

The sequence of events that led to the murder of four journalists by the Mogadishu mobs shows how serious the crisis has become. It began when UN forces attacked what was said to be a command centre of General Mohamed Farah Aideed, the fugitive warlord whose militia have killed 35 UN soldiers over the past month. The UN said the raid had been successful, and that 16 people had died. Aideed's Somali National Alliance claimed that 74 died, and that victims included elders of Aideed's clan. In the fury that followed, mobs turned on reporters once praised for bringing Somalia's plight to the attention of the world.

Similarly, the warmth with which US marines were greeted last December has turned to a resentment so deep that many aid agencies which welcomed the UN as a protector now see association with the troops as positively dangerous. Key military partners, notably Italy, are questioning the merits of the exercise.

One tragedy begets another. The UN force is in danger of getting caught up in the very chain of retaliation and revenge that fuels the bitter clan rivalry which has destroyed Somalia. Military intervention that sought primarily to provide security for food convoys appears to have become an end in itself; but the UN operation was never going to be enough in a country shattered by civil war.

Intervention should have included at the outset a comprehensive programme to disarm rival factions, using all the necessary force and offering the combatants the eventual choice of integration into a national army, or training in civilian skills. There should have been a long-term programme of economic reconstruction and constitutional negotiations drawing on the widest range of Somali leaders.

A new initiative by the UN is now desperately needed. This should involve, at the very least, greater clarity on the part of the Security Council as to its objectives in Somalia. It may entail taking full responsibility for Somalia as a UN trusteeship. This would be a costly and unprecedented undertaking. But it is the only way of providing a legal basis and political framework for an effective UN role. The alternative – abnegating responsibility – would be a dishonourable course. But even that would be better than the shambles that prevails today.

# Sunday trading

*THE PRIME MINISTER* and the home secretary yesterday strongly backed complete deregulation of Sunday trading in England and Wales. Their backing came as the government published details of the four options it will place before parliament for replacing the current discredited restrictions. This strategy could, however, leave the law in chaos or impose equally anomalous restrictions on Sunday trading.

The idea of letting MPs choose between a range of options on an issue which has divided the Conservative party in the past is attractive to a government with a small majority. However, there is a danger that presenting several options could result in the adoption of none if the most popular of the four cannot command a parliamentary majority. That would leave the law in its current unsatisfactory state, widely broken by large retailers and not enforced by local authorities which see the popularity of Sunday shopping.

Barely more acceptable would be a victory for partial deregulation. Two of the three options allowing limited Sunday trading include a list of goods which could legitimately be sold. Such a list would inevitably replicate the anomalies which have thrown the present law into disrepute by permitting the sale of pornography on the sabbath but not the sale of bibles. Why, after all, should it be permissible to buy fertiliser at a garden centre on a Sunday, but not groceries at a supermarket?

All three partial deregulation options involve restrictions on the opening of larger shops. This would limit choice to the smaller, less efficient retailers whose prices are often higher. One worthwhile consequence of deregulating Sunday trading would be the opportunity to make more efficient use of capital. To exclude the larger stores from unrestricted Sunday opening would therefore impede this desirable outcome.

Complete deregulation has been an unqualified success in Scotland. And reprehensible though law-breaking is, the *de facto* deregulation of Sunday trading south of the border has been a hugely popular with customers. The government must thus strain every sinew to ensure that this option eventually commands a majority.

One way to achieve this would be to strengthen the legal protection for shopworkers who do not wish to work on Sundays. Seven-day working is common in other industries, and it would be invidious to give shopworkers special rights for work on Sundays. But there may be scope for concessions – perhaps time-limited – which could win support from opposition MPs without losing the benefits of deregulation.

Alternatively, local authorities could be allowed to hold referenda on Sunday trading. Parts of the country with strong sabbatarian traditions could retain restrictions, while more secular areas broke free from them. A measure of local democracy could yet be the way to break the parliamentary log-jam.

Domestic and foreign pressures are forcing reform on Germany's capital markets, says **David Waller**

# A shine on its financial face

German bankers are normally a self-confident breed. Lately, however, they have started to worry, loudly and publicly, about the need to speed up necessary reforms in the country's financial markets. The mood is all the more sombre because it comes in the middle of a deep recession.

Summing up the anxieties, Mr Rolf Breuer, chairman of the German Stock Exchange and a board director at Deutsche Bank, said recently: "The German capital market still has an international credibility problem."

Mr Gerhard Eberstadt, board director in charge of securities at Dresdner Bank, adds: "If Finanzplatz Deutschland – Germany as a financial centre – wants to improve its international acceptance, it must observe international standards."

The mood of soul-searching has been touched off by several developments. First, companies need to find capital abroad as the government soaks up the bulk of domestic savings to finance the costs of reunification. This is exemplified by the recent decision of Daimler-Benz, Germany's largest industrial group, to become the first German company to seek a full listing on the New York Stock Exchange.

"Germany is much less of a financial island than it was 10 years ago, much more dependent on foreigners," said Mr Herbert Jacobi, chief executive of Trinkaus & Burkhardt, a Düsseldorf bank principally owned by Midland Bank of the UK.

Second, banks recognise the need for changes in the regulatory environment to face up to foreign competition. Unless Germany can match the regulatory infrastructure of the US and the UK, Frankfurt will find itself at a disadvantage in the global competition for capital. German financial institutions will also lose business to other centres – and the manufacturing companies which are their prime clients could suffer as a result.

Mr Joseph Lufkin, managing director of Global Proxy Services, a company which advises US institutional investors, said: "Anglo-American money has a whole set of different strings attached to it. Recognising this, the German financial and industrial establishment is taking deliberate steps to improve its international image."

Third, the scandal over share transactions by Mr Franz Steinkühler, the former head of the IG Metall trade union, focused international attention on German delays in drawing up laws to combat insider dealing. On Monday, after sustained criticism of apparent foot-dragging in outlawing insider trading, the finance ministry finally published a draft law to criminalise the practice and to introduce other long-awaited reforms.

Mr Wolfram Freudenburg, head of the Stuttgart branch of Deutsche Bank, said of the Steinkühler affair: "In the interests of both the company [Daimler-Benz] and Germany as a financial centre we simply cannot put up with this sort of thing."

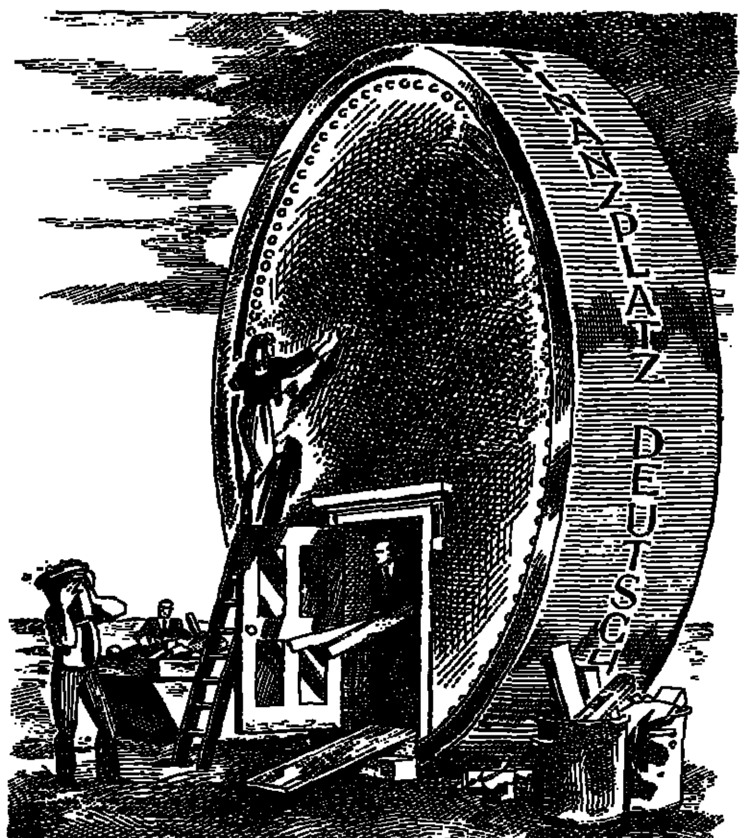
Of the three factors acting as a catalyst for reform, the need to attract outside capital to meet the costs of reunification is most significant. After years of registering large current account surpluses, united Germany is now registering a moderate deficit. Whereas Germany in 1990 exported DM66bn of long-term capital, last year it imported a net DM47bn of long-term funds from abroad.

With Germany's public sector borrowing requirement likely to stay high for several years, the implications for corporate and financial Germany are clear. "Whenever they look for capital, German companies will face strong competition from the state," said Mr Thomas Mayer, senior economist at the Frankfurt office of investment bank Goldman Sachs. "This will drive up the cost of borrowing money and force companies to look abroad for capital."

One important development is that companies are stepping up their marketing efforts to attract foreign investors. They are more willing to provide the kind of "investor relations" services common in the US and the UK – such as "roadshows", where senior managers visit investors and promote the benefits of owning their shares.

Ms Corinna Arnold, senior analyst at Investor Responsibility Research Centre, a US organisation which advises American institutions on corporate governance issues, said: "There is a greater understanding of what US investors and analysts are trying to do. German companies are helpful in providing information now."

The importance of the international investment community is underlined by foreigners' large stakes in big companies: nearly 40 per cent at Siemens, the electronics group, more than 40 per cent at Deutsche Bank, nearly a third at Veba, the energy-based conglomerate, just under 40 per cent at Commerzbank, and over 20 per cent at BASF, the chemicals company.




While companies are improving investor relations in general, Germany's biggest company is taking a more radical step. In seeking a full New York listing, Daimler-Benz is submitting to American-style regulation for the first time.

For decades German companies have refused to comply with the listing requirements set by the Securities and Exchange Commission – the regulatory body for the US securities industry. The reason was their reluctance to disclose financial information in line with US rules.

As part of its attempt to meet US investors' requirements for openness in business dealings, and to show that it was ready to play by international rules, Daimler announced in early April it would wind up Mercedes Holding (MAH), a holding company which owns a 25 per cent stake in Daimler, because it served no purpose other than to block takeover bids. Daimler intends to convert MAH shares into ordinary Daimler shares for two reasons: first, the shareholding structure means MAH would interfere with plans for a DM2bn-DM3bn Daimler rights issue next year; and second, because of the perception that US investors would find the anti-takeover device an affront to their notions of fair play.

MAH was propelled into the limelight when Mr Steinkühler of IG Metall, a former member of the Daimler-Benz supervisory board, bought nearly DM1m worth of shares in the company, most of them just before it was revealed that MAH would be dissolved. The announcement led to a substantial rise in MAH's share price, leading to the suspicion that Mr Steinkühler had made his investment on the basis of insider information.

Mr Steinkühler denied this, but resigned anyway, in the face of criticism from Germany's financial establishment as well as international investors. Mr Tom Homes, head of research at Schröder Münchmeyer Hengst, a bank majority-owned by Lloyds Bank of the UK, said: "The suspicion alone that he was insider dealing degrades the quality of Germany's financial markets."

While the Steinkühler affair heightened awareness that the rules needed to be changed, his dealings also served "to revive foreigners' perceptions that the German market is an insiders' market", said Mr David Hale, chief economist at Chicago-based Kemper Financial Services Group.

Deutsche Bank and other large German institutions are striving to allay this perception by bringing their internal compliance regimes up to international standards. The emphasis has been on stopping practices such as "front-running" – whereby traders would buy shares on their account before buying shares for clients. This would be classified as a form of insider dealing in the UK or the US.

Foreign investors nevertheless remain concerned about an "insider culture" within German capitalism: foreigners will always be at an "information disadvantage" compared with German banks and insurance companies. Domestic institutions still own the bulk of shares in quoted German companies and have access to detailed information about companies' performance via their seats on German supervisory boards. One consequence of Daimler-Benz's New York listing is that foreign investors will receive more details about the group's financial performance.

Change will be slow. But the inevitability of Germany's increasing capital needs over the next decade will mean further change is ineluctable. "If you want equity capital," said Mr Barthold von Ribbentrop, former head of securities sales and trading at Deutsche Bank, "the biggest suppliers are English and American pension funds. If you want this equity, you have to adjust to their way of thinking. You have to swallow your pride and present yourself differently."

# Why World Bank needs an ombudsman

PERSONAL VIEW

The need for an effective World Bank has never been greater, and confidence in its operating procedures has never been lower. The international community expects the World Bank to help Russia and the other former eastern bloc countries create functioning market economies; help South Africa transform its apartheid economy; and continue helping borrower countries alleviate poverty, and improve the efficiency and sustainability of their economies and the efficacy of their governance.

Recent developments suggest that the bank cannot meet these demands unless it undergoes structural reform. An internal study found that the bank is plagued by a "pervasive preoccupation with new lending" that can distort loan appraisals. Both staff and borrowers view loan appraisal as a promotional exercise aimed at the directors who must approve all loans.

Loan administration is also deficient. The study found borrower compliance with the financial covenants in loan agreements to be "startlingly low". The bank's failure to enforce these covenants suggests both parties view them as "suggestions", not binding commitments.

The bank's experience with the gigantic Sardar Sarovar dam project in India provides a graphic illustration of the consequences of these problems. The bank-appointed independent review panel found that the bank's failure to follow its own operating rules contributed to the problems associated with the dam's human and environmental impact. The bank's management is aware of these problems, and the board has just begun reviewing proposals for improving the supervision of the bank's operations.

One proposal the directors should be encouraged to adopt is to appoint an ombudsman. Such an ombudsman should have a mandate to:

- Investigate all "qualifying" complaints about the bank's implementation of its own operating rules and procedures. A qualifying complaint is one made about ongoing bank operations by any person directly affected by bank activities. The complaint must be accompanied by some supporting evidence.
- Respond to the complainant and, if appropriate, make non-binding recommendations to the board within a reasonable period after receiving the complaint.
- Publish a publicly available annual report discussing the complaints received, the investigations conducted, and the final dispositions of the complaints.

**A study found borrower compliance with the financial covenants to be 'startlingly low'**

The ombudsman, who would be appointed by and report directly to the executive directors, would be independent of the bank staff; should not be drawn from the bank staff; and would be granted a fixed-term, non-renewable appointment and control of his/her own budget. The ombudsman would have the authority to initiate investigations, compel bank staff to produce documents, submit to investigations and participate in public hearings.

An ombudsman's function is to monitor the administration of public institutions and prevent administrative injustice. A World Bank ombudsman would:

- provide the board with independent and timely appraisal of claimed deficiencies in ongoing bank operations;
- provide directors with independent information on the staff's compliance with the bank's operating rules and procedures. The board can use this information both to design appropriate rules and procedures and to identify the "best practice" for their implementation;
- create an impartial, independent and competent authority that assures both bank and public that all complaints about bank operations will receive a fair hearing and helps educate the public about the bank's operating rules and procedures;
- de-politicise disputes concerning bank operations by providing a complaints procedure that is based on rules that assure fair access for all qualifying complainants; and that ensures that fact-finding and decision-making is carried out by a disinterested body. Decisions must also be based on the merits of the complaint rather than on the complainant's ability to exert political pressure on the bank;
- protect the bank's executive directors and staff from having to deal with complaints lacking merit;
- provide the board and, through its annual reports, the international community with empirical information, that is presently unavailable, on the developmental and human impact of bank operations.

In short, an independent World Bank ombudsman whose findings are public would significantly enhance public confidence in the bank's ability to perform its responsibilities and the credibility of the advice it gives to its member countries. It would also set a precedent for other international organisations entrusted with the management of public resources.

**Daniel D Bradlow**

*The author is associate professor of law at the American University, Washington DC*

# OBSERVER

## Food for thought

■ Wise old birds attending agms have all sorts of tips on what to look for apart from a copy of the chairman's speech. Did the great man smile, was his finance director wearing a colourful tie, or, heaven forbid, a beard? Little things count when checking a company's health.

However, one of Observer's favourite ploys is to check out the grub. Take Aegis, the media-buying company. At its agm in May 1990 it served up champagne and canapés, before serving up bumper pre-tax profits for the following year. Its 1991 agm saw a diminished but none the less inviting spread of fancy biscuits, followed by mildly disappointing profits. But by 1992 only the plainer Rich Tea were on offer and sure enough it was a horrible year for Aegis – boardroom mayhem, collapsing share price, and a pre-tax loss of £1.9m.

What then are we to make of yesterday's agm, with its ginger and marzipan-coated Battenberg cakes? Probably no more than that the company is going through a sticky patch.

## Rival exhaustion

■ First the good news for owners of Trabant cars who live in Budapest. In a bid to get rid of the fume-belching relics of the communist era, the city announced yesterday that it would give free public transport passes for two years to motorists who hand over their two-stroke cars for demolition.

The bad news is that Wartburg owners get three years' free travel if they promise to ditch their old crocks.

## Brave face

■ Tough luck for Manchester that Olympic supremo Juan Antonio Samaranch should arrive in town the morning after the coldest July night since 1946. Even worse that it soon started raining. However, Manchester has learnt how to turn bad news into good in its long campaign to win the games in 2000. It didn't take long for a local worthy to note that since the International Olympic Committee is really interested in seeing new world records yesterday's weather was ideal for any athlete, other than a sprinter, contemplating a record-breaking run.

## Changing horse

■ The race to take over the presidency of the European Bank for Reconstruction and Development is turning out to be more complicated than first thought.

Leaving aside Observer's suggestion yesterday that the wife of Jacques de Larosière, governor


of the Bank of France, may prefer her jet-setting husband to stay closer to home, it is gradually dawning upon other EC governments that de Larosière's candidacy may in fact be an elaborate bluff.

EC officials in Brussels say France's real aim is to secure the top job at the European Monetary Institute, the precursor of the independent European Central Bank which under the Maastricht treaty will oversee a single European currency.

Thus the de Larosière candidacy serves a dual purpose: to preserve France's original claim to the EBRD seat which, if denied, would give Paris far greater leverage in determining the EMI appointment. France desperately wants the top job at the EMI because it would signal that the German stranglehold on European monetary policy exerted by the Bundesbank was at last being broken. It would also be a consolation prize in the light of the expected location of the putative European Central Bank in Germany, either in Bonn or Frankfurt.

It is all gossip at the moment but it perhaps explains the behaviour at Monday's Ecofin meeting where only the Germans showed much enthusiasm for the candidacy of de Larosière. The Belgians and Italians, who had been expected to support him, were surprisingly mute. Meanwhile, Lord Lawson is emerging as a wild card candidate for the EBRD post. Britain's ex-chancellor of the exchequer is widely believed to covet the job – but regards it as infra dig to apply. If he is told he is certain to get it, then he will apply – but not otherwise.

## Grilling

■ How times change. Spotted in the Savoy Grill after yesterday's British Airways annual meeting were Sir Tim Bell, Lady Thatcher's favourite spin doctor, Lord King, one of her favourite businessmen, and Brian Basham, Lord King's old public relations man who is dishing the dirt on Lord King's old employer, British Airways. A couple of years ago, they could have been sitting at the same table. Yesterday they hardly seemed to be on speaking terms.

## Rothschild's reserve

■ As usual, the annual report of merchant bank N.M. Rothschild raises about as many questions as it answers. One teaser is why the remuneration of the bank's chairman, Sir Evelyn de Rothschild, should fall from £852,000 to £542,000, when disclosed profits rose to a record £14.5m, well over double the previous year's £6m?

The answer, according to a nervous Rothschild retainer, is that around half of that was not profit in the commonly accepted sense. Rothschild's Guernsey offshoot sold its stake in an investment trust and the gross proceeds – not just the capital gain – were included. Also, for some obscure reason, Sir Evelyn had received an exceptionally large bonus the previous year.

The report explains how the bank complies with the Cadbury recommendations "to the extent that these are appropriate to a private company". But of course.

## Out to grass

■ How do you turn an old rake into a lawnmower?

Marry him.

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FINANCIAL TIMES
Wednesday July 14 1993

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Manufacturing output up 1.8 per cent in May, biggest rise in four years

# UK expansion exceeds forecasts

**By Emma Tucker, Alison Smith and Peter John in London**

BRITAIN'S manufacturing output rose 1.8 per cent in May, the sharpest monthly increase for four years, and almost 10 times stronger than market expectations. The figure pointed to stronger than expected economic expansion in the second quarter.

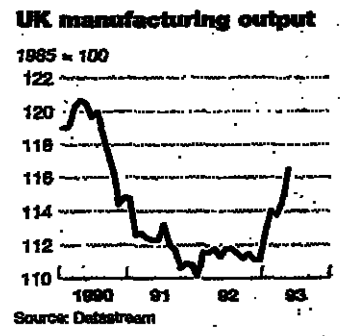
The rise was fuelled by buoyant car, computer and metals production, but Central Statistical Office warned that the timing of a public holiday had possibly inflated the monthly figure.

The underlying trend, however, held firm. In the latest three months output grew by 2.1 per cent, to stand 3 per cent up on the same period a year ago.

The news sent the pound sharply higher against both the D-Mark and the dollar. Sterling closed 1¼ pfennigs higher at DM2.5700 and rose 1¼ cents to end the day at $1.4935.

Other financial markets were largely unmoved. The FT-SE share index closed up 6.2 at 2,837.1, with dealers worried that chances for an early cut in interest rates were fading.

**UK manufacturing output**



Source: Datastream

In the government bond market, an initial fall in prices was later reversed, and prices were only marginally lower by the close. Traders said any price weakness reflected technical pressures from weaker European markets rather than a substantial shift of opinion over prospects for the UK economy.

The figures are likely to strengthen the hopes of Mr Kenneth Clarke, chancellor of the exchequer, that a robust recovery will reduce the need for tax increases to tackle the budget deficit. Mr John Major, prime minister, said the figures were "clearly very good news indeed. But it is only one of a large number of signs that the economy is recovering. Retail sales are up, car registrations are up, confidence is up and unemployment is down."

Yesterday's figures provided much-needed cheer for Conservative MPs, still divided over the Maastricht treaty and faced with carrying through unpopular policies such as the imposition of value added tax on domestic fuel.

The CSO said the growth in manufacturing output was evenly spread across industry. All sectors, other than food, drink and tobacco, increased output in the latest three months.

Total industrial production, which includes energy and water supply, rose 2 per cent month-on-month and was up 0.4 per cent in the latest three months. The weak three-monthly growth rate was dragged down by a drop in energy production, mainly because of maintenance work at North Sea oil installations and a sharp drop in coal output following the start of new lower volume contracts between British Coal and the major electricity generating companies.

The rise in manufacturing output was only the second consecutive monthly increase, but it lifted the index out of the very narrow range in which it has been moving since the beginning of the year.

The CSO said output in May was 4.5 per cent below its peak in the second quarter of 1990 and 3.75 per cent higher than what is now taken to be the trough, in the fourth quarter of 1991.

# Commerzbank wins case against UK tax authority

**By Richard Lapper in London**

COMMERZBANK, one of Germany's largest banks, has won a long-running legal dispute with British tax authorities in a case which could have important implications for businesses elsewhere in the European Community. The European Court of Justice ruled yesterday that the Inland Revenue's efforts to hold back some £5m ($7.35m) in compensation for interest built up on incorrectly assessed tax were contrary to the Treaty of Rome.

Mr Stephen Kon, partner at SJ Berwin, the UK solicitors which represented Commerzbank, said the case had "important implications" for tax legislation in the UK and other EC jurisdictions.

Commerzbank successfully contested a UK tax assessment in 1990. But the Inland Revenue refused to repay interest that would have been earned on the wrongly assessed payments on the grounds that the company operated through a branch office and was not resident in the UK.

Mr Kon said the judgment created "considerable scope for dealing with discriminatory provisions of this nature both in the UK and other EC domestic law and a good deal of litigation may well follow".

He pointed to other tax reliefs in UK law which are not available to non-residents, including relief on low earnings for corporation tax for small companies and relief on interest deducted on payments to non-resident lenders. Mr Kon added that similar anomalies arise in "legislation in other EC countries all of which will now be subject to challenge".

The Inland Revenue said that it would write to companies which it believed would be affected by the decision and make the necessary repayments.

The European Court ruling said: "Articles 52 and 58 of the Treaty of Rome prevent the legislation of a member state from granting repayment supplement on overpaid tax to companies which are resident for tax purposes in that state while refusing the supplement to companies resident for tax purposes in another member state. The fact that the latter would not have been exempt from tax if they had been resident in that state is of no relevance in that regard."

# Abu Dhabi charges 13 over BCCI

**By Richard Donkin in London**

THIRTEEN former officers of the Bank of Credit and Commerce International have been charged in Abu Dhabi two years after the bank was closed following an alleged multi-billion-pound fraud. The charges, announced yesterday, mean that Mr Swaleh Naqvi, the former chief executive officer of the bank, could face a 36-year jail sentence if convicted on all counts.

Mr Naqvi was among a number of senior officers in Abu Dhabi engaged on restructuring the bank at the time of its worldwide closure, initiated by the Bank of England, in July 1991. For nearly two years they have been held in police custody in the emirate.

Charges have also been made against Mr Agha Hasan Abedi, the bank's founder, and Mr Zafar Iqbal, another former chief executive of the bank. However, Mr Abedi, now living in Pakistan, may never be brought to trial as there is no extradition treaty between the two countries.

The prosecution has been launched against 10 of the 13 officers who have been in detention. The other three have been released on bail. Mr Abedi is among three others who have been charged in addition to those detained.

The formal charges, which include forgery and falsification of company documents, are the the culmination of an investigation in Abu Dhabi that has been running for almost two years. Most of the BCCI officers have been held at the Abu Dhabi Police Club since their arrest in September 1991.

The Abu Dhabi majority shareholders of BCCI said that the investigators had wanted to prepare a thorough case before mounting the prosecution.

# Troops ignore UN orders

Continued from Page 1

killed four journalists in revenge.

The Organisation of African Unity, saying it was "disturbed at the continued loss of life" in Somalia, called yesterday for a review of the UN operation and said the world body should resume dialogue with people there.

In New York a spokesman for Mr Boutros Ghali said an international conference would be for the security council to decide.

On Monday UN officials rejected a proposal by Mr Fabio Fabbri, Italy's defence minister, that combat operations be suspended in a bid to reduce tension in the former Italian colony. This led yesterday to calls from the opposition in parliament to withdraw the Italian contingent from Somalia.

# Germany cuts spending

Continued from Page 1

age, the government expects an extra DM8bn in revenues from increased fuel taxes, supposed to finance the first steps of reforming the German railways and assuming their accumulated debt burden.

Another direct burden on German taxpayers will be an increase of almost 2 percentage points in pensions contributions, which will rise from 17.4 to 19.2 per cent of gross income.

Mr Oskar Lafontaine, deputy leader and economy spokesman of the SPD, warned that the cuts would aggravate the current recession by squeezing consumer spending and imposing the greatest burden on the poorest.

Mr Helmut Wieczorek, the party's budget spokesman, warned that in spite of the cuts, overall public sector debt would increase to almost DM1,700bn by 1997, thanks largely to borrowing to finance German unification. Interest payments on the public debt would have increased from DM80bn in 1990 to around DM177bn in 1997, he said.

The medium-term plan shows the federal budget deficit remaining at the present level of more than DM67bn – or almost 15 per cent of the budget – until 1995, before the spending squeeze and economic recovery bring it back to 10 per cent of spending by 1996 and under 8 per cent in 1997.

Mr Waigel said that the only alternative to the sharp cuts in social benefits would have been to increase the level of borrowing or to increase taxation. The former would mean that there would be no room for manoeuvre for the Bundesbank to cut its interest rates further, whereas a further increase in taxation would counteract any hopes of economic recovery.

## THE LEX COLUMN

# Roche's patent cure

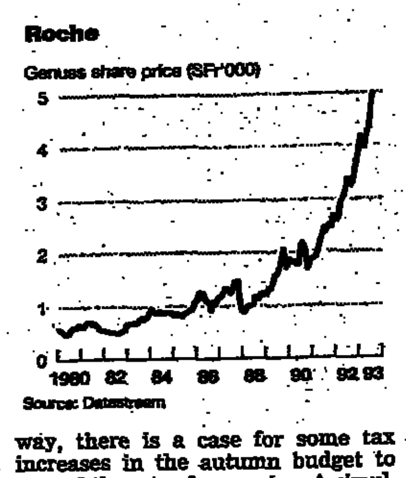
Roche is a rare example of a pharmaceuticals company which has successfully reinvented itself. Having lived through dark days during the decline of Valium, the tranquilliser on which its fortunes rested until the early 1980s, Roche's prodigious investment in research and development is now bearing fruit. The 14 per cent sales increase in pharmaceuticals during the first half stands in contrast to modest expectations elsewhere in the sector. Holding drug sales steady in Germany despite the havoc caused by healthcare reforms is especially impressive.

Like other drugs companies, Roche may still be vulnerable to nasty shocks. A successful patent challenge to its diagnostics technology, or disappointment for Genentech's new products, would cloud the earnings outlook. With strong positions in biotechnology, over-the-counter medicines and prescription pharmaceuticals, Roche has spread its risks second time around.

Strange, then, that it should remain shy about the fine details of its financial performance. Investors will have to wait until the year end for an indication of first half profits. Still, as long as the company is turning in annual earnings growth of around 20 per cent, even the most principled investor will be inclined to forgive. If the stratospheric growth rate starts to falter, Roche may have to be more forthcoming to retain support.

**FT-SE Index: 2837.1 (+6.2)**

**Roche**



Source: Datastream

### UK economy

Since the government's own statisticians were at pains to stress that May's industrial production figures were distorted by public holidays, not even the enthusiasts for recovery can take them at face value. Still, the trend in manufacturing output confirms the strength of recovery. Even the slowing in pace recently is overshadowed by the overall improvement, and economic growth may approach 2 per cent in 1993. It seems the inflationary impact of devaluation has been effectively muted because the UK economy is running so far behind its potential and deflationary forces are still strong worldwide.

What stops the champagne corks popping is anxiety over the current account deficit. If the increase in investment is helping increase exports, the UK may be in for some genuine non-inflationary growth. If it stokes domestic demand, the recovery will not have too far to run. Either way, there is a case for some tax increases in the autumn budget to control the rate of expansion. A simultaneous interest rate cut might also blunt sterling's appreciation on the foreign exchanges. One other nagging worry is the way in which economic statistics seem to be running ahead of companies' expectations. But perhaps the September reporting season will provide more cheer.

### British Airways

Sir Colin Marshall must have breathed a large sigh of relief yesterday as he successfully anticipated and defused criticisms of BA's management at its annual meeting. Small shareholders were more inclined to discuss the merits of Cornwall, the imperfections of Concorde and the beastliness of transporting furry animals by air than unravelling the mysteries of the Virgin affair. Large institutions have never been much interested in the matter. BA therefore looks as though it has survived the storm. The appointment of more non-executive directors, including the no-nonsense chief executive of Inchcape, Mr Charles Mackay, helps reassure.

But there are still unanswered questions. Publicly, Virgin says it is determined to pursue its legal case. That may result in BA directors appearing in court, throwing up more bad publicity. Moreover, Virgin has opened another front by complaining that BA has breached EC anti-trust rules. Shareholders may dismiss these issues as rather tiresome but they are unlikely to go away. The £22m general provision BA continues to carry against litigation suggests it regards such tussles as a permanent feature of the airline business.

### UK water sector

Yesterday's missive from Ofwat on the cost of water quality sheds little light on the direction of next year's regulatory review. True, the 7 per cent real return on capital for water companies assumed in Ofwat's sums would be encouraging if carried through to the review. But Mr Ian Byatt, the regulator, may not be as generous in practice. By recommending that the government postpones the implementation of some water standards, he is trying to pass the problem of rapidly rising water charges back to the politicians. As he also believes that standards are too tight, the assumption in his report of a generous rate of return – and hence larger price rises – suits his purpose well.

Whether Mr Byatt can squeeze a decision from government on standards, and thus capital expenditure for water companies, before the review is also open to doubt. Without a political decision, Ofwat might feel obliged to assume tough standards and high capital expenditure in setting price limits for the second half of the decade. That could result in a cautious settlement, broadly favourable for shareholders. The more likely outcome, though, is that price limits will be altered as spending obligations become clear. A stable framework of medium-term regulation looks a distant prospect.

Even if the government comes down in favour of less onerous standards and lower capital expenditure, there is no guarantee water companies will be less geared or less likely to make rights issues. That turns on the return on capital which Mr Byatt finally settles on in his review.

### Takeover Panel

Two clouds darken the Takeover Panel's horizon. The panel worries that the proposed EC takeover directive will result in a statutory body superseding its informal role. Such a change would indeed be a shame if it lessened the flexibility of the UK's takeover regime. But the directive's shape is unclear. Besides, it will take some time to wend its way through Brussels' corridors. A more immediate concern is simply the dearth of takeovers, at a 25-year low in 1992. The panel is already shedding staff. It may yet end up having to cut its fees.

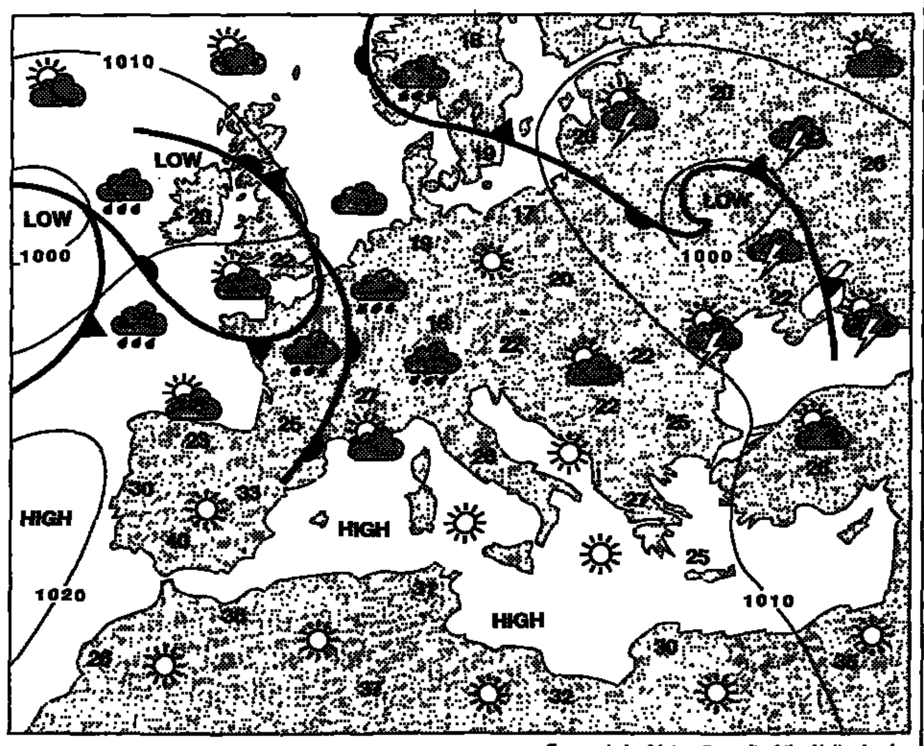
## FT WORLD WEATHER

### Europe today

Frontal systems associated with a complex low west of Ireland will cause rain from time to time in the UK and the Low Countries. Periods of rain will also occur in northern parts of France and in south-western Germany. In Spain and Portugal, it will continue to be very warm and sunny with temperatures rising to near 40C in parts of the south. In Italy, Greece and the Balkans, it will also be mainly sunny and warm. A frontal system over the south of Scandinavia will continue to cause widespread cloudiness and some rain. Temperatures will rise to 18C-21C .There will be a few sunny intervals in northern areas. In the west of Russia, a low pressure area will cause heavy rain along with some thundery showers.

### Five-day forecast

Until the weekend, it will continue to be unsettled in the northwestern and central parts of Europe. Mostly cloudy skies will prevail with rain or thundery showers from time to time. Temperatures will rise to 20C-25C.
In Scandinavia, it will become a bit warmer with sunny intervals. However, in the eastern regions some showers will linger. In the area from Portugal to Greece, sunny and warm conditions will persist. Temperatures will mostly range from 28C-35C.




Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Berlin | clear | 21 | Chicago | fair | 27 | Faro | sun | 31 | Majorca | sun | 31 | Rangoon | cloudy | 31 | | | |
| | Celsius | | Bermuda | fair | 30 | Cologne | rain | 17 | Frankfurt | cloudy | 18 | Malta | sun | 28 | Rekjavik | fair | 13 | | | |
| Abu Dhabi | sun | 39 | Birmingham | cloudy | 22 | Copenhagen | fair | 19 | Geneva | shower | 23 | Manchester | cloudy | 20 | Riyadh | sun | 44 | | | |
| Accra | cloudy | 28 | Bogota | fair | 18 | D' Salaam | fair | 28 | Glasgow | rain | 17 | Manila | shower | 33 | Rome | sun | 27 | | | |
| Algiers | sun | 32 | Bombay | shower | 30 | Dakar | fair | 30 | Hamburg | fair | 19 | Melbourne | shower | 13 | S' Francisco | fair | 20 | | | |
| Amsterdam | rain | 17 | Bordeaux | fair | 25 | Dallas | fair | 35 | Helsinki | fair | 19 | Mexico City | shower | 23 | Seoul | fair | 27 | | | |
| Athens | sun | 28 | Brussels | rain | 17 | Darwin | fair | 30 | Hong Kong | cloudy | 31 | Miami | fair | 32 | Singapore | rain | 30 | | | |
| Bangkok | rain | 33 | Budapest | fair | 22 | Delhi | cloudy | 31 | Honolulu | fair | 31 | Milan | fair | 24 | Stockholm | cloudy | 19 | | | |
| Barcelona | sun | 27 | Buenos Aires | fair | 13 | Dubai | sun | 41 | Isle of Man | cloudy | 19 | Montreal | cloudy | 27 | Strasbourg | rain | 20 | | | |
| Beijing | fair | 32 | Cairo | sun | 35 | Dublin | cloudy | 20 | Istanbul | fair | 24 | Moscow | thund | 20 | Sydney | rain | 14 | | | |
| Belfast | rain | 20 | Cape Town | fair | 16 | Dubrovnik | sun | 26 | Jersey | rain | 17 | Munich | fair | 19 | Tel Aviv | sun | 32 | | | |
| Belgrade | fair | 21 | Caracas | cloudy | 31 | Edinburgh | rain | 15 | Karachi | fair | 35 | Nairobi | fair | 23 | Tokyo | rain | 23 | | | |
| | | | | | | | | | Kuwait | sun | 46 | Naples | sun | 27 | Toronto | shower | 23 | | | |
| | | | | | | | | | La Paz | fair | 17 | Nassau | fair | 32 | Tunis | sun | 31 | | | |
| | | | | | | | | | Las Palmas | fair | 26 | New York | fair | 33 | Vancouver | shower | 21 | | | |
| | | | | | | | | | Lisbon | sun | 31 | Nice | sun | 24 | Venice | fair | 23 | | | |
| | | | | | | | | | London | fair | 23 | Nicosia | sun | 33 | Vienna | fair | 23 | | | |
| | | | | | | | | | Los Angeles | fair | 23 | Oslo | rain | 21 | Warsaw | clear | 19 | | | |
| | | | | | | | | | Luxembourg | rain | 16 | Paris | rain | 22 | Washington | fair | 34 | | | |
| | | | | | | | | | Lyon | shower | 27 | Perth | fair | 14 | Wellington | fair | 10 | | | |
| | | | | | | | | | Madeira | sun | 25 | Prague | fair | 21 | Winnipeg | sun | 22 | | | |
| | | | | | | | | | Madrid | sun | 37 | R' de Janeiro | cloudy | 22 | Zurich | cloudy | 19 | | | |

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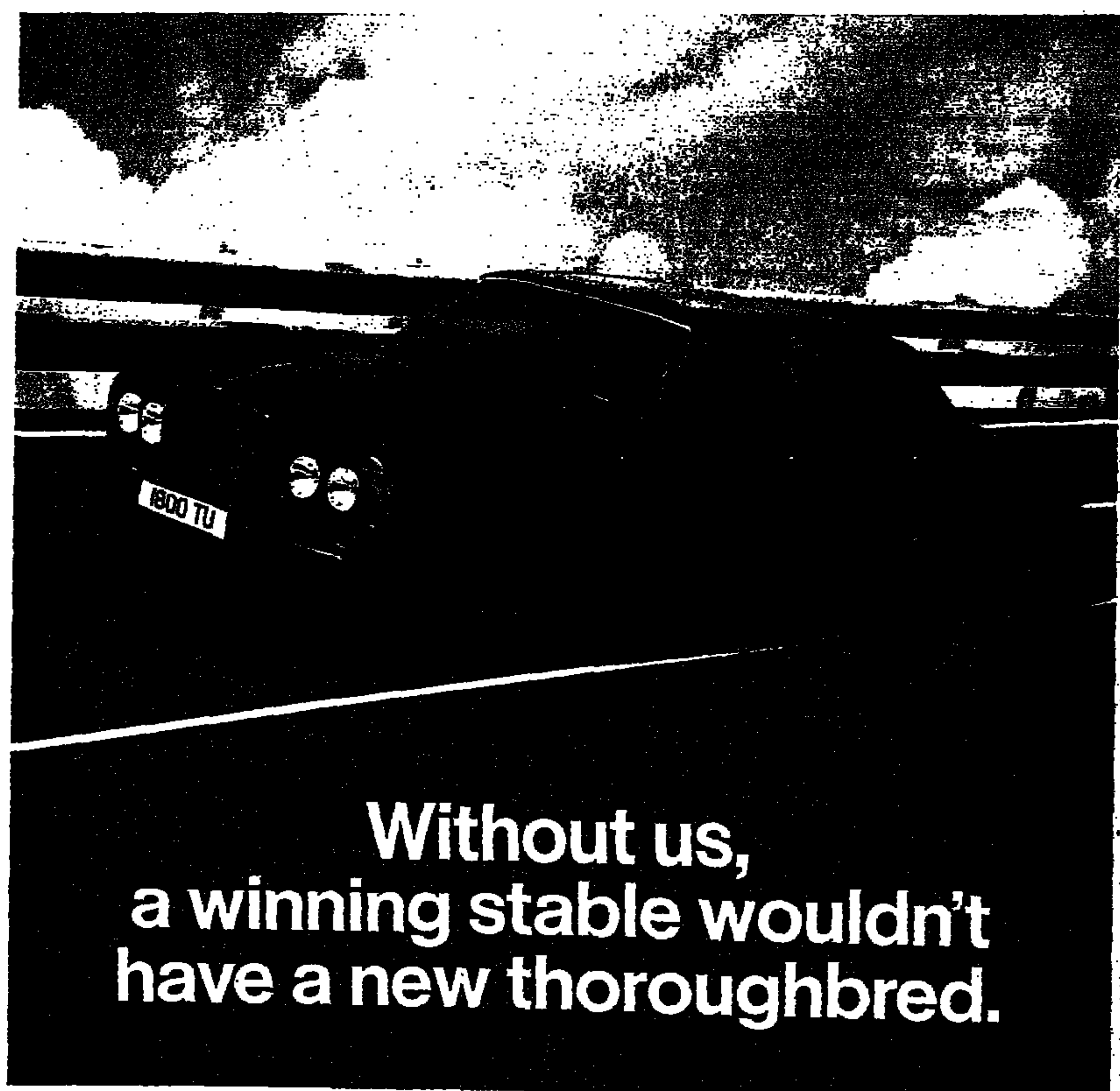


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# COMPANIES & MARKETS

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## INSIDE

### FNAC forges a French future

GMF, the French insurance company, has granted Crédit Lyonnais and Générale des Eaux an option buy a 54.78 per cent stake in FNAC, the French retail group. Page 16

### Amro's kinda town

The Netherlands' largest bank, ABN Amro plays a prominent role in the state of Illinois. Its savings and deposits there will be $2bn after the planned $580m acquisition of Cragin Federal, a Chicago savings bank. Page 16

### Japan calls to Nokia

Nokia, the second largest maker of mobile phones, is to get a foothold in the Japanese market. In August it establishes a joint marketing venture with *Mitsui & Co, the Japanese trading house.* Page 17

### News Corp's 50% of Mushroom

Mr Rupert Murdoch's Australian media group, *News Corporation*, is expanding its recorded music business with the purchase of a 50 per cent stake in Mushroom Records, Australia's largest independent recording company. Page 17

### General Electric up 10%

General Electric, the diversified US manufacturing and services group, yesterday reported a 10 per cent increase in second quarter net earnings to $1.334bn, compared with $1.216bn. Page 18

### Merrill Lynch's $345m profit

Wall Street securities house Merrill Lynch yesterday announced a 53 per cent jump in second-quarter profits to a record $345m, on total revenues of $3.97bn. Page 18

### Cray profits jump to £29m

Cray Electronics Holdings, the Berkshire-based data communications and software systems group, reported full year profits sharply higher at £29.9m ($44.25m) in the year to April 30. Page 20

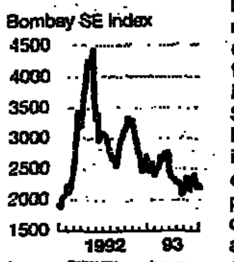
### Birse deficit hits £18.5m

The building and civil engineering company Birse Group incurred a £18.5m ($27.4m) pre-tax loss during the 12 months to end-April, compared with a £12.3m loss for 1991-2. Page 22

### Coffee market heats up

Fears of frosts sent coffee prices surging ahead in London as buyers rushed to the market fearing Brazil's crop would be affected this week. London's September futures contract rose by $48 to a peak of $1,016 a tonne. Page 24

### Foreigners miss Indian quota



Source: Olitt/Bloombergs

Nine months after India's market was opened to foreign portfolio investment, there have been many *inquiries but less than* $20m of orders. It will be a long haul for overseas investors to reach their quota of holding up to 5 per cent of quoted Indian companies as they face archaic trading practices, and share prices which moved more on rumours than on *facts* and fundamentals. Back Page

#### Market Statistics



#### Companies in this issue



#### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | | | | |
| **Rises** | | | | **Rises** | | | |
| Colonia Konzern | 1350 | + | 80 | Damart | 4060 | + | 150 |
| Holzmann Ph | 960 | + | 15 | Fin Pollet | 465.5 | + | 22.5 |
| **Falls** | | | | Orsan | 199.5 | + | 18.5 |
| Deutsche Babck | 177.8 | – | 4.2 | Valeo | 884 | + | 35 |
| GEHE | 353 | – | 7 | **Falls** | | | |
| Linotype-Hell | 440 | – | 40 | Cr Fonc France | 1046 | – | 31 |
| Porsche | 556 | – | 17.5 | Matra-Hachette | 129.1 | – | 6.8 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| Bear Stearns | 23¾ | + | ¾ | Fanuc | 4010 | + | 170 |
| Home Shopping | 14½ | + | 1 | Fujikura | 924 | + | 34 |
| Motorola | 89¼ | + | 2½ | Heiwa Real Est | 948 | + | 37 |
| QVC | 70⅝ | + | 2⅝ | Kyocera | 5940 | + | 320 |
| **Falls** | | | | Yomiuri Land | 1200 | + | 60 |
| Hilton Hotels | 45 | – | 1 | **Falls** | | | |
| Merrill Lynch | 84⅝ | – | 1½ | Aoki Corp | 521 | – | 8 |
| **PARIS (FFr)** | | | | | | | |

New York prices at 12.30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | | | | |
| **Rises** | | | | Amberley | 38 | – | 5 |
| Avonmore Fds A | 156 | + | 6 | Cray Elec | 156 | – | 6½ |
| Bass | 460 | + | 11 | Geest | 369 | – | 12 |
| Chloride | 18 | + | 1¼ | Learmonth & B | 251 | – | 14 |
| Electron House | 94 | + | 4 | Lyles (S) | 87 | – | 7 |
| Jacques Vert | 100 | + | 13 | Merivale Moore | 40 | – | 3 |
| Legal & Gen | 500 | + | 13 | Sherwood Grp | 138 | – | 11 |
| MR Data | 182 | + | 15 | Std Platform | 52 | – | 4 |
| Nobo Grp | 187 | + | 8 | Stratagem | 131 | – | 5 |
| Shelton (M) | 83 | + | 10 | Unilever | 977 | – | 25 |
| Taylor Woodrow | 100 | + | 5 | Utd News | 521 | – | 14 |
| Tiphook | 285 | + | 12 | Wyko | 38 | – | 5 |
| Warburg (SG) | 734 | + | 16 | | | | |
| **Falls** | | | | | | | |

# Go ahead for BAe's Taiwan deal

By Dennis Engbarth in Taipei and Daniel Green in London

TAIWAN'S economics ministry and local banks yesterday gave a conditional go ahead to provide $460m in low-interest loans for a joint venture between British Aerospace and Taiwan Aerospace Corporation (TAC).

*The proposal* to transfer production of BAe's regional jet (RJ) airliners to the £250m ($373m) joint venture is fundamental to the restructuring and recovery of BAe's loss-making civil aircraft business.

BAe said the main condition made by Taiwan's government – *a commitment* to the joint development of new aircraft models – was already the subject of talks between the two parties.

The loans are needed to finance the production and leasing of the RJ aircraft, to be assembled in Britain and Taiwan.

Mr Yang Shih-chien, deputy minister of economic affairs, said the bank group now "has a grip on the risk factors". It is "willing in principle to co-ordinate with government policy" which is strongly in favour of the venture.

Mr Yang said the banks agreed in principle to offer TAC a minimum package of $460m, including $400m to help finance the launch of the leasing operation *for the RJ jet and* $60m in working capital.

But the banks want BAe to provide firm commitments on several issues before granting final approval.

The "focal point" was a commitment by BAe to develop with TAC an advanced regional passenger jet (or RJ-X). *The ministry* and the banking group agree that "development of the RJ-X is an indispensable part of the entire plan", Mr Yang said. He also wanted to know more about launch aid from the UK.

# IRI plans telecoms sector merger

By Haig Simonian in Milan

IRI, Italy's biggest state holding company, yesterday revealed plans to rationalise the telecom*munications sector, starting with* the merger of Sip and Italcable by the end of this year.

Sip is Italy's main telecoms utility, while Italcable handles intercontinental traffic. Both companies are quoted.

The union will be the first step towards grouping Italy's public *sector telecoms activities, split* between seven main companies, into a single concern. The new organisation, expected to be called Telecom Italia, should be operational by 1995-96, by which time the entire sector could be largely privatised.

*Pressure for rationalisation* and privatisation has come from the government and IRI itself. IRI's new management, facing a cash crisis, has identified telecoms, controlled by the Stet holding company, obvious privatisation candidate.

Last night, Stet announced it *was issuing a L565bn Eurolira* bond, convertible into Sip savings shares, in a further step in the slow privatisation process. The deal could cut Stet's stake in Sip savings shares from 32 to 18 per cent.

The government has set IRI a June 30 deadline to prepare rationalisation plans. IRI intends to start by merging the main providers of services, while keeping manufacturing and mobile telecoms apart.

About 40 per cent of Sip's ordinary shares and 47 per cent of those in Italcable are floating.

*Telecom Italia will subse*quently absorb Telespazio and Sirm, Stet's satellite and maritime communications subsidiaries. Telecom Italia will also comprise Iritel, formerly ASST, the unit responsible for domestic trunk communications and short-distance international calls.

The future of Stet's equipment manufacturing (Italtel) and network service (Sirti) businesses is less clear. Stet has been looking for foreign investors in Italtel, in which AT&T has a 20 per cent stake. Talks with leading telecoms groups, including the US *company, are under way.*

The highly profitable mobile telecoms business, run by Sip, will be hived off into a separate company, in which Telecom Italia will retain a minority stake. The rest is likely to be floated. Shares in Stet have risen sharply in recent weeks ahead of bullish forecasts about tariff deregulation and restructuring.

● The Italian government hopes to float about 20 per cent of the IMI financial services group and 30-35 per cent of the big Ina state insurance company this year. Investors will be able to swap *medium and long-term govern*ment bonds for shares in the two companies.

# Medco in talks with drugs groups

By Richard Waters in New York and Paul Abrahams in London

A REALIGNMENT of drug distribution in the US, giving pharmaceuticals companies greater control over sales to their biggest buyers, could be under way following news of talks involving one of the country's largest distributors.

Medco Containment Services, a fast-growing mail order supplier, said it was in talks with several drugs companies which could lead to strategic relationships, partnerships, joint ventures or business combinations.

Mr Martin Wygod, chairman and chief executive, said the statement was prompted by a report yesterday that Medco had been *discussing a $4.5bn merg*er with Merck, the largest US drugs company.

Medco, based in Montvale, New Jersey, supplies drugs to the employees of many large US companies, including General Motors and General Electric, under their company health plans.

*It is the largest mail order company for pharmaceuticals* in the US and last year controlled more than half of the $3.8bn market.

Medco represents 1,550 companies and public agencies, covering 33m employees. By buying in bulk it claims to achieve discounts from drugs companies of up to 40 per cent. Mr Wygod estimated that it would account for drug purchases worth $7bn-$8bn this year, 12 per cent of US drug sales.

He refused to comment on whether a tie-up with one drugs company was the most likely outcome. "We're trying to make the right types of relationships with manufacturers to help cut back healthcare bills," he said.

*However, consultants* questioned the strategy of pharmaceuticals companies buying their customers. "This makes little sense. If Merck acquired Medco, they would be buying only 2 per cent of the non-hospital market at a huge cost," said Mr Eran Broshy, head of Boston Consult*ing Group's healthcare practice.*

The growth of bulk buying by Medco and other institutional purchasers has contributed to pressure on drug companies' profits, and put control of distribution into the hands of a new group which has grown up between drugs makers and users.

*A tie-up with a distributor* would give a drugs maker greater control over its sales. But Medco's relationship with its customers could suffer if it became a sales channel for the products of one company.

Picture: Colin Beere

Lord King, whose retirement was hastened by the 'dirty tricks' affair, at British Airways' agm yesterday

# BA attacks Virgin over row

*By Daniel Green in London*

SIR COLIN MARSHALL, chairman of British Airways, yesterday denied prior knowledge of the "dirty tricks" his airline played on Virgin Atlantic Airways that led to an apology and a £610,000 ($903,000) payment to Virgin in January.

He attacked Virgin's continued pursuit of legal action in courts in London and with the European Community in Brussels and renewed his call for arbitration in the long-running dispute between the two carriers.

Sir Colin's account of the Virgin affair was the central plank in his first speech to BA's annual meeting as chairman. "I did not direct, authorise or implement *any improper activities or con*duct against Virgin or its chair*man. I did not know about them* at the time they occurred."

He conceded "there had been a few unconnected incidents of conduct by a few British Airways' employees so as to give Virgin cause for concern. Some employees did obtain some information which related mainly to the number of passengers travelling on Virgin flights."

Sir Colin said "we do not believe that what was was done caused *significant* damage to Virgin or brought significant benefit to BA". He argued that Virgin's continued claims consisted only of vague accusations.

Sir Colin's intense and strident delivery contrasted with the laconic and sometimes brusque style of his predecessor Lord King *at previous meetings.*

Lord King refrained from com*menting on the Virgin affair* which had hastened his retirement and sat silently in the front row of yesterday's meeting. He received praise from the platform for his contribution to the company then rose to acknowledge loud shareholder applause.

Sir Colin's defence of BA came shortly after Mr Brian Basham, its former public relations consultant, arrived for the meeting saying that Sir Colin should resign. "He must take responsibility for the actions of his staff," said Mr Basham, who was sacked as a freelance consultant by BA when the Virgin row broke.

● Virgin rejected Sir Colin Marshall's arbitration proposal: "We agreed to an arbitration on another dispute in 1990. It is yet *to go through four years later.*"

Lex, Page 14

**John Gapper** reports on competition to move cash

# Banks wake up to the big deal in small sums

In the market for European *cross-border payments – as* with so many matters involving banks – it never rains but it pours. After years of hardly reacting to moans over the long delays and high charges that accompany such payments, banks are now falling over each other to improve things.

*The disclosure* this week that Visa International is to set up a transfer system using its data network to allow small payments *within six days* is one element of a competitive ferment. At least two consortia of European banks and several telecommunications groups are working on projects.

Given the development of the European single market – and European Commission pressure for greater transparency, lower charges and more reliable service – banks might be expected to compete strongly for such business. There are two reasons why they have not until now.

One is that the market *is still* small. Most of the 200m small cross-border payments each year are made by individuals. Only 10 per cent of UK companies made payments abroad in 1991, and one in 13 received them.

Second, banks already have a cross-border payments mechanism. The Swift network, founded in Brussels in 1977, is a closed and secure service used by 3,000 financial institutions in 90 countries. It allows cash and securities transfers in standard formats.

But the status quo seems increasingly unattractive for a variety of reasons:

● Small businesses in Europe are keen to make quick and cheap cash transfers as they *trade more* across borders. The Swift system was designed for large transfers and does not impose strict conditions in terms *of pricing* or speed of transfer. This can mean variation and delays.

Transfers made through Swift rely on a chain of bank links. The cash is transferred from the originating company's bank through the Swift network to its correspondent bank in the country involved. That bank then registers the payment with the bank of the company receiving it.

Small payments can be delayed and cost a lot. An EC *study last year found that transfers aver*aged *six days and took up to 30,* costing an average of 14 per cent of the sum transferred.

● Swift was established as the banks' data network. But other networks run by companies such as IBM, General Electric and British Telecom offer access to financial services companies. This means prices are *falling* for transfers over popular routes in Europe.

● European banks are increasingly seeking ways to co-operate across borders without buying expensive branch networks from other banks. The offer of cross-border services through the networks of other banks is one means of attracting domestic fee-based business from companies with trade links.


The Ibos system, run by Royal Bank of Scotland, Banco Santander, Crédit Commercial de France and Banco de Comercio e Industria in Portugal, has been aimed primarily at individuals, but will be relaunched this autumn with new services for small companies.

Rather than using a correspondent banking network, Ibos is confined to the member banks in each country. Those banks can make transfers, through British Telecom's Timenet data network, among their accounts across borders and can be cleared within seven *seconds.*

Royal Bank charges £6 ($8.88) *for a £3,000 transfer through Ibos,* compared with £15 through Swift. Mr Norman McCluskie, Royal Bank's managing director of operations, says the Ibos banks "see ourselves in a very dramatic position" because of the potential for attracting new business.

The bank believes Ibos will help *persuading corporate cus*tomers to open accounts. The Ibos system requires access to accounts at the banks that participate. This means that as long as Ibos sticks to allowing one bank per country to take part, it may gain a competitive advantage.

However, this also limits the potential business for Ibos. At the moment, Royal Bank and Banco Santander only account for 0.7 per cent of cross-border payments between Britain and Spain. The system carried 5,000 transactions last month, but can carry 40,000 per day.

The issue of whether to con*tinue limiting access to Ibos is* pressing because other banks are considering establishing their own closed networks. National Westminster Bank, Commerzbank in Germany and Société Générale in France have said they are working on a possible initiative.

*The participating banks in Ibos* are meeting in Madrid this Friday to consider opening the network to others. They are also mulling over approaches from US banks to participate in the network, possibly on the basis of a single bank operating the service in each state.

*Swift is also thinking of* ways to respond. The network has cut prices on the most-used transfer routes and is considering bulk transfer of small amounts.

Mr Eric Chilton, Swift's chairman, thinks it would be wrong to allow other carriers to dominate the retail market while Swift concentrated on high value transfers. He says easier transfer of small sums will attract treasury operations of large companies.

"If we make transfer easier, then a lot of people who hold assets in different countries now might be keen to avoid it and run Treasury operations from the centre," he says. The implication is that the emergence of competition for small cross-border payments has only just started.

This announcement appears as a matter of record only.

June 1993

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ABN AMRO Bank N.V. — Banque Bruxelles Lambert S.A.
Union Bancaire Privée, London

Credito Italiano

# GMF offers options on controlling stake in Fnac

By John Ridding in Paris

THE future of Fnac became clearer yesterday when GMF, the French insurance company said Crédit Lyonnais, the French bank, and Compagnie Générale des Eaux, the water and energy group, would be granted an option to buy a controlling stake in the French retailer.

Crédit Lyonnais and Compagnie Générale des Eaux have the option, until October 11, to acquire 54.78 per cent of the shares in Fnac at FFr2,928 per share.

This values Fnac at FFr2.4bn ($444m).

Fnac's shares, which have climbed sharply from a level of about FFr2,200 two weeks ago, were suspended yesterday at FFr3,208.

Analysts in Paris said that the deal was a financial transaction to provide capital for GMF, a mutual insurance company, and to maintain French ownership of Fnac. They said that the October deadline gave GMF the opportunity to find alternative sources of capital and maintain control of the group.

GMF has been seeking fresh capital as a result of losses in a property venture in the Dutch Antilles and in its travel insurance business.

Pressure on GMF to sell part or all of its 80 per cent stake in Fnac has prompted interest from several European retailing groups, including Berthelsmann of Germany and Printemps of France.

"Fnac is a attractive asset," said Mr Anthony West, retail analyst at Enskilda Research in Paris.

"It has had a chequered history in terms of ownership, but has a strong position in urban retailing and is a dominant force in the French records and books market."

Fnac reported sales of about FFr6.96bn in the first three-quarters of its financial year, an increase of 7.9 per cent over the corresponding period last year.

Net profits for the year to the end of August are expected to increase by about 11 per cent to FFr92m.

Crédit Lyonnais has acquired the option to buy the majority of the 54.8 per cent of the shares through Altus, a financial subsidiary.

Compagnie Générale des Eaux is taking the option to buy the shares through Immobiliere Phoenix, a property subsidiary.

# Sales at Roche rise 8%

By Paul Abrahams in London

ROCHE, the Swiss healthcare and chemicals group, yesterday reported sales for the first six months up 8 per cent to SFr7.15bn ($5.1bn) from SFr6.62bn. In local currencies the increase was 10 per cent. The company does not publish half-year profit figures.

The company said it expected sales to continue to improve during the second half of the year and that barring unforeseen circumstances, particularly in foreign exchange rates, the group should post a significant increase on last year's net income of SFr1.9bn.

Much of the first-half growth was generated by the pharmaceuticals division which reported sales up 12 per cent to SFr1.59bn from SFr1.56bn. Excluding exchange rates, the increase was 14 per cent.

The company said the German healthcare reforms introduced in January – which have led to a 13 per cent fall in the market for the first four months – had little impact. Turnover in Italy during the first half improved in spite of the fall in the market following reforms introduced in April. Roche said it expected sales in both Italy and Germany to increase this year.

The vitamins and fine chemicals unit lifted sales 2 per cent to SFr1.59bn from SFr1.56bn. Roche said the vitamins business performed well. But the division's results were held up by fine chemicals, and in particular the manufacture of one agrochemical fungicide without which sales would have been up 5 per cent.

The diagnostics division posted turnover up 8 per cent to SFr867m from SFr799m. The business profited from the introduction of PCR (polymerase chain reaction) technology for HIV and Chlymidia, which had been well received in both the US and Europe.

Sales of the fragrances and flavours division increased 4 per cent to SFr749m from SFr723m.

Fragrances suffered from poor demand from the luxury perfume sector. Flavours were not affected by the recession and continued to post increases.

Lex, Page 14

# Banco de Portugal posts first loss

By Peter Wise in Lisbon

THE Banco de Portugal lost Es81.8bn ($531m) in 1992 as it spent heavily to shore up the escudo and mop up liquidity in the domestic money market, according to the central bank's annual report.

Only the transfer of Es71bn in reserves enabled the bank to record an official loss of Es9.8bn for 1992, the report said. This was the bank's first loss. The report said the bank had suffered losses since 1988 that had been covered by transferring provisions.

In the autumn of 1992, the escudo came under strong speculative pressure and the bank was forced to spend foreign currency reserves on escudos at prices above the level to which the currency fell after a 6 per cent devaluation in November.

# Deckel Maho sees benefits in three years

By Christopher Parkes in Frankfurt

THE first fruits of the merger of German machine tool makers Friedrich Deckel and Maho are expected in three years when the slimmed-down company should return to profit.

According to Mr Bodo Viets, Maho chairman, a loss of DM100m ($62.5m) is expected in the first year, and the first two years' results will be burdened by restructuring costs totalling DM240m. These will include charges for closures, removals and the cost of reducing the workforce.

However, cost savings worth DM120m a year will have a beneficial effect from 1995 onwards, according to a merger report published yesterday. The new company, to be called Deckel Maho, expects turnover in the year to June 30 1994 of between DM400m and DM500m with the workforce cut to about 1,500 people.

The figures suggest heavy capacity cuts, which have not yet been decided. Last year's combined sales came to DM750m with a workforce of more than 3,000 people down from almost 6,000 in 1989-90.

The merger of two of Germany's best-known and most troubled machine tool makers was engineered by banks, led by Deutsche Bank, which have a controlling stake in Maho. Mr Rolf Breuer, a senior Deutsche Bank director, was recently appointed chairman of the Maho supervisory board. The new company will be majority-owned by Walter Eder, an engineering group which controls Deckel.

Prime aim of the deal is to construct a group with the necessary critical mass and a strong home base from which it can hope to fight off the Japanese, Germany's main international competitors. Deckel and Maho have between them up to 40 per cent of the German market in boring and milling machines.

The deal indirectly involves Gildemeister, a leading operator in the sector, which last January founded a joint distribution company with Deckel.

# Dutch bank finds a second home

**ABN Amro's $500m acquisition of Cragin Federal, a Chicago-based savings bank, will make it Illinois' second-largest retail bank. Ronald van de Krol reports from Amsterdam on ABN's 14-year-old strategy**

A similarity between the Netherlands and the US Midwest is the flatness of the terrain. Another, less visible link, is the prominent role played by ABN Amro, the Netherlands' largest bank, in the state of Illinois and its capital, Chicago.

Last week, the bank announced that it would be putting the finishing touches to a 14-year-old strategy of carving out a second home market in this important region of the Midwest.

ABN Amro's planned $500m acquisition of Cragin Federal, a savings bank with roots in Chicago's wealthy north-western suburbs, marks its biggest foreign acquisition in value terms.

The move lifts its local offices by 27 to 90 and raises its savings and deposits in Illinois to $2bn, making ABN Amro the state's second-largest retail bank after home-grown First Chicago.

The acquisition, due to take place early next year, is the latest in a $1.6bn series of purchases in Illinois since 1979. Earlier acquisitions have included LaSalle National, Lane Financial, Exchange Bancorp and Talman Home Federal.

Besides this local operation, the Dutch group maintains 10 ABN Amro offices in the US and Canada from which it serves top corporate customers. It owns European American Bank on New York's Long Island.

Mr Jan Kalff, the board member responsible for ABN Amro's push into Illinois for the past nine years, says he has no designs on further acquisitions in Illinois. "We'll leave it at this for the time being," he says. "We are not looking any further in the Chicago area."

He acknowledges that ABN Amro has said this before, most recently after the Talman acquisition in 1992. The fact that the Dutch bank has returned once again to the familiar territory of Chicago testifies to the region's economic resilience, the fragmentation of its banking market and the prospect of achieving savings on operating costs at Cragin.

ABN Amro plans to farm out Cragin's administrative operations to a service centre run by its LaSalle group of banks near Chicago's O'Hare airport.

This, plus a cut in staff at headquarters, should help ABN Amro realise the 30 per cent reduction in costs that is regarded as a rule of thumb in US banking acquisitions. "If that happens at Cragin, and we'll have to wait and see, that would mean savings of $12m to $15m," Mr Kalff says.

Another lure for ABN Amro was the strength of the economy in and around Chicago. The region has escaped the deep recession that has scarred the north-east and California, exhibiting steady growth rather than a boom-and-bust cycle.

Jan Kalff: 'We'll leave it at this for the time being'

ABN Amro's decision in 1979 to focus on Chicago was due in part to the fiercer competition among foreign banks in New York and California, and also in part to admiration for the Midwest's economy. Looking back on the LaSalle acquisition, Mr Kalff notes, "In retrospect, it was a fortunate move, not only because the bank itself was attractive but the entire region is very attractive."

Financing for Cragin is easy to arrange as ABN Amro will be paying one-third to one-half of the $500m acquisition price in dollar-denominated preferred stock issued by LaSalle, just as it did for Lane, Exchange and Talman. Dividends on these instruments are low as they are linked to US interest rates, and the dollar funding means that the parent bank does not run any currency risk.

A final reason to return to Chicago was the sense that regional banks such as Banc One and National Bank of Detroit will be stepping up their involvement in Illinois, whose splintered banking market numbers more than 1,000 banks.

Most of the rest are small, but Cragin represented the second-largest independent savings bank after the leader, St Paul. "I wanted to be ahead of the others," Mr Kalff says.

ABN Amro's concerted expansion since the late 1970s has left it with a significant critical mass in the local market, creating important economies of scale. This is a situation which the bank would find difficult, if not impossible, to replicate in EAB's home market on Long Island, which is dominated by five or six of New York's biggest banks.

Similarly, Europe poses very different challenges. ABN Amro, which has a network of offices in each of the European Community states, is searching for local acquisitions in France, Belgium and Germany, but the power of domestic banks and the prices commanded by acquisition targets are barriers to success.

One solution may be to take a regional approach in a country such as Germany. "It could well be that you buy something in North Rhine-Westphalia or in the north around Hamburg or in the south, where we'd at least be able to create a strong local base without necessarily covering all of Germany from the very start," Mr Kalff says.

Still, any acquisition in a European state is bound to take longer to pay off financially than the most recent one in the state of Illinois. "In Europe and elsewhere in the world, it is extremely difficult to buy something which immediately contributes to results in the first year," he says.

# UK merger activity falls to 25-year low

By Maggie Urry in London

MERGER activity in the UK fell to its lowest level in the Takeover Panel's 25-year history in its latest financial year.

The panel's annual report said during the year to March 31 there were 88 takeover or merger proposals, down from 142 in the previous year.

The highest number in one year was 436 in 1971-72, and the annual average was 225. The fall in the number of takeovers had enabled staff cuts to be made, said Mrs Frances Heaton, director-general.

The panel regulates takeovers of publicly-owned companies through the application of the Takeover Code. The panel is also consulted on cases which do not lead to published offers.

The number of such cases rose to 141 in 1992-93 from 116 in 1991-92, suggesting that companies were more likely to back away from proposed deals.

Several financial restructurings of troubled companies have been carried out, leading to the panel adjudicating on a larger number of whitewashes – where shareholders taking more than 30 per cent of a company's equity and acting in concert are given a dispensation from making a full bid for the company.

Lex, Page 14;
Details, Page 20


REMY·COINTREAU

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 1993

The key financial results to be submitted to a meeting of the Board of Directors of Rémy Cointreau on 21 July 1993, are as follows:

| (FFr millions) | Year Ended 31.3.93 | Year Ended 31.3.92 |
|---|---|---|
| Turnover | 5,832 | 6,474 |
| Operating revenue | 5,972 | 6,695 |
| Operating profit | 876 | 1,048 |
| Financial charges | (577) | (605) |
| Exceptional items | (31) | (14) |
| Consolidated net profit (Group share) | 202 | 271 |

The Group's turnover declined by 9.9% compared with the previous year, although this lower figure does not reflect the improved performance of its brands, all of which increased market share.

Factors which contributed to the decrease in turnover included:

- The decision not to renew distribution contracts with IDV, particularly for duty free sales, a sector which only generates limited distribution revenue;
- Unfavourable variations in currency exchange rates;
- A slowdown in trading activities aimed at ensuring effective long-term management of the Group's stocks.

The two half-year periods contrasted sharply. While the first six months of the period under review suffered from the impact of changes in the distribution of Cointreau products, the last six months saw growth in cognac sales in the Chinese market. The benefits of integrating the Cointreau products into the distribution network were also felt, despite a difficult economic environment and unstable European currency markets.

Operating revenue was affected, mainly by the impact of currency exchange rates and the drop in profit margins in the Champagne division.

Financial expenses decreased as a result of well-managed hedging operations.

Exceptional items cover a FFr 55 million provision for risks, reflecting the prudent management policy which has always characterised the Group.

Consolidated net profit, Group share, totalled FFr 202 million.

RÉMY COINTREAU MAINTAINS STABLE OPERATING MARGINS

Operating revenue for the individual divisions shows a drop in margins in the Champagne division as a result of substantial advertising and promotional expenditure. Cognac margins were sustained, while operating margins in the Liqueurs and Spirits division rose slightly.

The ability to maintain operating margins at a high level remains a key indicator of the Group's healthy performance trend.

A firm commitment to a policy based on quality, the excellent visibility of the Group's prestigious and international brands and the professionalism of its 3,400 employees throughout the world, are all factors which support projections that business will follow positive trends in the short and medium term.



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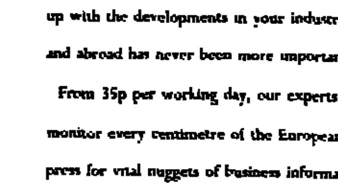

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SCANDINAVIAN AIRLINES SYSTEM
Denmark - Norway - Sweden
ECU 100 000 000,-
9% Bonds due 1995

Bondholders are hereby informed that the Scandinavian Airlines System will redeem at 100,5 % all notes, still outstanding, in relation to the above mentioned issue on August 9th, 1993.

The Notes will be reimbursed, coupon N° 9 and subsequent attached, at the following banks:

- ABN Amro Bank N.V. - Amsterdam
- Citibank N.A. - London
- Banque Paribas - Paris
- Morgan Guaranty Trust Company of New-York - Brussels
- Crédit Lyonnais Luxembourg S.A. - Luxembourg

The Fiscal Agent
CREDIT LYONNAIS



NATIONAL BANK OF CANADA
USD 200.000.000
FLOATING RATE DEPOSIT NOTES
DUE JULY 1996

For the period July 13, 1993 to January 13, 1994 the new rate has been fixed at 3,5625 % P.A.

Next payment date: January 13, 1994
Coupon nr: 15
Amount: USD 455,21 for the denomination of USD 25.000

THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG


## LEGAL NOTICES

In the Matters of P.B. 92 LIMITED
AND
ANKALOCH LIMITED
The Insolvency Act 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn FCA, a Licensed Insolvency Practitioner of [illegible] was appointed Liquidator of the above Companies by the Creditors on 8th July 1993.
Dated this 8th July 1993
PETER S. DUNN FCA, Liquidator


APPOINTMENTS ADVERTISING

appears every Wednesday & Thursday & Friday (International edition only)

For further information please call:
Tricia Strong on 071-873 3199
Andrew Skarzynski on 071-873 3607
Philip Wrigley on 071-873 3351
JoAnn Gredell New York 212 752 4500


## LEGAL NOTICES

The Insolvency Act 1986
TRANS-CARE INTERNATIONAL LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of Trans-care International Limited will be held at Cromwell House, Fulwood Place, Gray's Inn, London, WC1V 6HZ, on Wednesday the 14th day of July 1993 at 11.00 am, for the purposes provided for in Sections 98, 100 and 101. A list of the names and addresses of the company's creditors will be available for inspection, free of charge, during business hours on the 12th and 13th days of July 1993 at the offices of Begbie Norton & Partners, Cromwell House, Fulwood Place, Gray's Inn, London, WC1V 6HZ.

Dated this 4th day of July 1993
By Order of the Board
H. HYMAN and T.R. GANE, Directors.

Fairmont Realisations Limited (In Receivership)
formerly BH-F (Engineering) Limited,
BH-F (Travel) Limited (In Receivership)
BH-F (Investments) Limited (In Receivership)
British Hartford Fairmont Limited (In Receivership)

Notice is hereby given, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named Companies will be held at Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG on 28 July 1993 at 10.00 am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if a) they have delivered to us at the address shown below, by no later than noon on Tuesday 27 July 1993, written details of the debts they claim to be due to them from the Company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Signed: J M Iredale & R B M Graham, Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.
Dated: 08 July 1993

## PERSONAL

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## COMPANY NOTICES

BRADFORD & BINGLEY BUILDING SOCIETY
£150,000,000
Floating Rate Notes Due 1997

In accordance with the terms and conditions of the Notes, the interest rate for the period 13th July, 1993 to 13th October, 1993 has been fixed at 6.08% per annum. The interest payable on 13th October, 1993 against Coupon 12 will be £153.25 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

# Nokia and Mitsui in mobile phones joint venture

By Michiyo Nakamoto in Tokyo

NOKIA, the Finnish telecommunications and electronics group, and Mitsui & Co, the Japanese trading house, have formed a joint venture to market mobile phones in Japan.

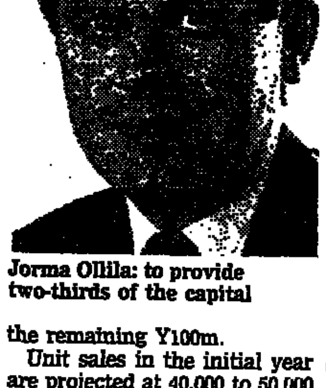
The joint venture, to be established in August, will provide Nokia, the world's second largest mobile phones maker after Motorola of the US, with a foothold in the Japanese market which is expected to grow strongly over the next few years.

The Japanese industry is heavily regulated, with mobile phone companies, such as NTT's mobile phone subsidiary and IDO Cellular, restricted to leasing equipment. However, from next April companies will be able to sell mobile phones on the market.

The industry expects increasing competition from next year when the two companies will be allowed to offer digital mobile phone services.

Nokia's joint venture in Japan, Nokia Mobile Phone Japan, will also start marketing handsets for digital mobile telecommunications systems from next spring.

Nokia, which is headed by chief executive Mr Jorma Ollila, will provide two-thirds of the capital of Y300m ($2.74m) for the joint venture while Mitsui will provide the remaining Y100m.



Jorma Ollila: to provide two-thirds of the capital

Unit sales in the initial year are projected at 40,000 to 50,000 units with revenues targeted at Y5bn. Nokia expects initially to market its mobile phones on an original equipment manufacturer basis to telecommunications companies but plans eventually to sell products under its own brand name.

Nokia has been studying the Japanese market for the past year or so, having established a mobile phones division in Japan last year.

The Japanese mobile phones market has been held in check by heavy regulation and high prices which have kept penetration at a low 1.5 per cent of the population.

# News Corp buys 50% of Mushroom Records

By Bruce Jacques in Sydney

NEWS Corporation, Mr Rupert Murdoch's Australian media group, is expanding its recorded music business with the purchase of a 50 per cent stake in Mushroom Records, Australia's largest independent recording company.

Announcing the purchase yesterday, Mr Ken Cowley, chief executive of News in Australia, said the company's wholly-owned Festival Records subsidiary had acted as Mushroom's main distributor for 20 years and would continue to do so.

"This new investment is in keeping with our commitment to provide first class multimedia entertainment and information services," he said. Mushroom has annual sales of around A$50m (US$34m)

Mr Michael Gudinski, chairman of Mushroom, said the deal would allow the company to expand overseas, especially in the US and Britain, with its stable of recording stars which include Kylie Minogue and Jason Donovan.

Mr Gudinski said the deal would provide valuable links with News subsidiaries, including Fox Broadcasting, and would bolster Festival Records' position in a competitive Australian market where top recording companies have bought out most of the independents.

Mushroom was founded 21 years ago. Mr Gudinski will retain day-to-day control of the operation.

# Comalco lifts smelter stake by 20%

By Bruce Jacques in Sydney

COMALCO, the Australian aluminium producer, is to buy a further 20 per cent stake in the Boyne Island smelter in Queensland for about A$200m (US$136m) from Metall Aktiengesellschaft, the Austrian metals group.

The purchase would lift Comalco's interest in the smelter to 50 per cent and comes as the company is close to a decision on adding a new potline which would lift annual aluminium capacity by about 85 per cent.

Construction of the new potline, being considered despite the glut in world aluminium supplies, would add about 200,000 tonnes to the smelter's annual capacity of 230,000 tonnes of primary metal.

Mr Nick Stump, Comalco chief executive, said the proportion of ownership in the new potline was still under discussion with remaining shareholders – a consortium of five Japanese companies.

Deliberations also included arrangements for electric power for the smelter from the Gladstone power station, controlled by the Queensland government, and a decision was expected by the end of 1993.

One option being considered by the company is outright purchase of the Gladstone power station. Comalco is also involved in talks on power supplies to the two other smelters it controls, at Bell Bay in Tasmania and at Tiwai Point in New Zealand.

"This [purchase] decision is consistent with Comalco's previously announced strategy to concentrate its future investment in the upstream [bauxite to metal] sector of the aluminium industry," Mr Stump said. "The additional supply will allow Comalco to service its increasing customer base in export markets."

Mr Stump said AMAG, which is controlled by the Austrian government, had expressed a wish to end its interest in the smelter early this year as part of a plan to focus more closely on the company's European fabricating operations.

The smelter, which began production in 1982, operates under a consortium tolling arrangement with participants taking metal in line with their equity shares. AMAG has been a partner since 1989.

The acquisition includes AMAG's shares in the smelter, working capital and other funding obligations attached to the interest. The purchase price is subject to minor adjustments and to approval from the Foreign Investment Review Board.

# German steel groups hold tin plate talks

By Ariane Genillard in Bonn

THYSSEN STAHL and Krupp-Hoesch Stahl, Germany's two largest steel makers, yesterday confirmed that they were holding talks about co-operation in their tin plate divisions but denied any intention to merge their operations.

This follows a report in a Ruhr valley newspaper that the companies might consider merging their tin plate productions to gain economies of scale and reduce costs.

Spokesmen from both companies said that talks regarding production, research and development were taking place but described them as routine.

Hoesch Stahl, which merged with Krupp Stahl at the beginning of the year, produces annually 300,000 tonnes of tin plate products in its Westfalenhütte plant in Dortmund.

Thyssen Stahl's Rasselstein subsidiary in Neuwied, near Koblenz, produces 700,000 tonnes of tin plate products a year.

# EIE to restructure 'on its own'

EIE International, a Japanese property developer weighed down with debts of Y700bn ($4.3bn), plans to restructure without help from its main bank, Long-Term Credit Bank of Japan, Reuter reports from Tokyo.

On Monday, five leading Japanese banks said that they would halt lending to EIE. The break with the banks came after a dispute with LTCB which has Y190bn in loans outstanding to the company.

"We plan to restructure on our own," an official said. EIE would continue its important Sanctuary Cove and Bond University projects on the Gold Coast of Queensland, Australia, he said.

LTCB decided to stop support for EIE after a disagreement over the company's restructuring plan.

The bank proposed a sharp cutback in EIE's assets including an option of bankruptcy, but Mr Harunori Takahashi, EIE president, opposed the proposal, banking industry sources said.

Japanese press reports quoted Mr Takahashi as saying he planned to form a new restructuring programme as soon as possible. He was reported to be confident of EIE's restructuring since it "needs little new money to continue its business".

An LTCB spokesman said on Monday that even if the bank sets aside provisions against bad loans to EIE International, it will try to minimise the impact on earnings for 1993-1994 by selling its shareholdings.

He denied media reports that LTCB will set aside Y80bn to Y100bn in 1993-1994 in provisions against bad loans to EIE.

# Poles entice foreign bond investors

By Christopher Bobinski in Warsaw

A NEW general licence permitting automatic repatriation of interest earnings by foreigners which comes into force in Poland on July 15 aims to generate demand abroad for three-year treasury bonds as well as treasury bills.

The three-year bonds as well as the 26, 39 and 52-week treasury bills available to foreign investors since the middle of last year have met with minimal success since repatriation of earnings has required special central bank permits for each tranche.

The government has sought to place 7,000bn zloty ($407m) worth of three-year treasury bonds since last August but so far only 2,500bn zloty worth have been taken up by domestic investors.

In the first quarter of this year the annual yield on the three-year treasury bonds was 43 per cent while the country's current "crawling peg" mechanism is devaluing the zloty at a rate of 25 per cent a year. Year-on-year inflation is running at 36 per cent.

● Poland's first cement sector privatisation has taken place with the sale of the Odra works in Opole to Miebach Projektgesellschaft of Germany for DM6m ($3.38m). Miebach plans to invest a further Dm31m to modernise the Polish plant.

# CSF to buy interest in Siemens unit

By John Ridding in Paris

THOMSON CSF, the French electronics group, is to buy part of the electronic tubes business of Siemens, the German engineering and electronics company.

The acquisition is part of Thomson's strategy of making European joint ventures to offset reduced defence expenditure and would consolidate its position in microwave tubes for telecommunications, a company spokesman said.

Thomson will buy Siemens' travelling wave tube and coaxial tube businesses.

Travelling wave tubes are used in telecommunications for radio links and earth stations while coaxial tubes are used in radar and television transmission.

# Brierley sells gas utility holding

By Terry Hall in Wellington

BRIERLEY Investments has sold its remaining 50.3 per cent shareholding in Enerco, a New Zealand gas utility, for NZ$58.6m (US$32.2m).

Brierley sold a 30 per cent stake for NZ$35.2m to a number of institutions and is selling the remaining 20.3 per cent to Natural Gas Corporation, the New Zealand utility, for NZ$23.4m.

The shares are changing hands for NZ$2.09, compared with a current market price of NZ$2.25.

Enerco was publicly floated last year when Brierley sold a 30.4 per cent shareholding at NZ$1.35 a share. A further placement of 19.2 per cent was made this March.

Mr Paul Collins, Brierley chief executive, said the sale of Enerco shares was in accordance with forecasts made in the Enerco flotation prospectus.

● Telecom Corporation, New Zealand's biggest company, yesterday had its credit rating downgraded to AA1 by Moody's Investment Services, the US credit rating agency.

Moody's said the downgrading was due to Telecom's announcement earlier this year that it intended lowering its cost of capital by reducing the number of shares on issue and moving to a higher debt gearing ratio.

Mr Jeff White, Telecom chief financial officer, said the company's new debt ratio of around 40 per cent would still be conservative.

Telecom is 60 per cent owned by Bell Atlantic and Ameritech of the US.

● New Zealand's Bancorp Holdings has bought Australian investment bank International Pacific Securities, which specialises in takeover and corporate advisory operations.

The new acquisition's operations dovetail with those of Bancorp's in the area of treasury and financial market advisory services, Bancorp said.

Bancorp is 47 per cent-owned by Public Bank Berhad, the Malaysian investment bank.

# Banamex to offer MTNs in international market

BANCO Nacional de Mexico, (Banamex), Mexico's largest bank, is set to offer 1bn pesos ($320m) of medium-term notes in the international capital market, writes Damian Fraser in Mexico City.

It will be the first peso-denominated Euronote offering by a Mexican company since the country's return to international debt markets in 1989.

Banamex's existing peso debt is rated A grade by Standard & Poor's. The issue will enable Banamex to fund peso loans at a lower rate than that available in Mexico. The notes can be issued with maturities from 30 days to 10 years.

The offering is expected to be followed by other Mexican companies keen to sell peso-denominated, rather than dollar, debt to foreign investors. While the Mexican government has tapped foreign interest in high-yielding peso treasury bonds, Mexican companies have up to now brought in foreign funds mainly by offering dollar-denominated debt.

# Riyad Bank rises 25% at halfway

SAUDI Arabia's Riyad Bank reports a 25 per cent increase in net profit to SR426.14m ($113.64m) for the first half of 1993, compared with the same period a year earlier, AP-DJ reports from Manama.

According to an unaudited financial statement, the bank's operating income increased 7 per cent to SR736.93m. Loan loss provisions were 41 per cent higher at SR56.72m.


EUROPEAN DEPOSITARY RECEIPTS (EDR)
BEARER DEPOSITARY RECEIPTS (BDR)
issued by
Morgan Guaranty Trust Company of New York
Brussels Office

| Dividend | Payment Date | Coupon number | Gross amount | Net amount (-15% tax) | Net amount (-20% tax) |
|---|---|---|---|---|---|
| Asahi Chemical Industry BDR (1,2,3,6) | 07/07/93 | 40 | USD 0.9730 | USD 0.8270 | USD 0.7784 |
| Honda Motor Co EDR (1,2,3) | 07/07/93 | 36 | USD 0.5537 | USD 0.4706 | USD 0.4429 |
| Mitsubishi Electric BDR (1,2,3,4,5,7) | 07/07/93 | 45 | USD 4.5990 | USD 3.9091 | USD 3.6792 |

Paying agents:

Morgan Guaranty Trust Company of New York

- (1) New York, 30 West Broadway
- (2) Brussels, 35 Avenue des Arts, 1040 Brussels
- (3) London, 60 Victoria Embankment
- (4) Paris, 14 Place Vendôme
- (5) Frankfurt, 46 Mainzer Landstrasse
- (6) Banque Générale du Luxemburg, 14 Rue Aldringen, Luxemburg
- (7) Crédit Industriel d'Alsace et de Lorraine, 103 Grand Rue, Luxemburg

EDR and BDR holders who wish to and are entitled to receive payment of dividend under deduction of 15% Japanese withholding tax must provide the depositary with a declaration of residence by January 31, 1994.

NOTICE TO HOLDERS OF WARRANTS OF
OPTEC DAI-ICHI DENKO CO., LTD.
(the "Company")
issued in conjunction with
U.S. $100,000,000
4½ per cent. Guaranteed Notes due 1995

Notice is hereby given that on 9th July, 1993, the average closing price per share of common stock of the Company, for the five consecutive trading days up to and including that date, multiplied by 1.025 and rounded upward to the nearest one yen was less than the subscription price in effect on such day by not less than one yen, and that therefore, in accordance with Condition 2(A) of the Terms and Conditions of the Warrants (downward revision), the subscription price of the captioned warrants is to be revised as follows:

1) Subscription Price before revision: Yen 728.20
2) Subscription Price after revision: Yen 636.00
3) Effective date of revision: 26th July, 1993 (Japan time)

OPTEC DAI-ICHI DENKO CO., LTD.
By: The Mitsubishi Bank, Limited
as Principal Paying Agent

14th July, 1993

Marine Midland Finance N.V.
U.S. $125,000,000
Guaranteed Floating Rate Subordinated Notes due 1994

For the three months 13th July, 1993 to 13th October, 1993 the Notes will carry an interest rate of 5⅜% per annum with a coupon amount of U.S. $13.42 per U.S. $1,000 Note and U.S. $134.17 per U.S. $10,000 Note. The relevant interest payment date will be 13th October, 1993.

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Fax: 071-439 4966
a FIMBRA Member


Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 14.07.93 Pool purchase price £/MWh | Final Prices for Trading on 16.06.93 Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.18 | 19.00 | 19.00 |
| 0100 | 18.05 | 18.09 | 18.09 |
| 0130 | 18.18 | 18.09 | 18.09 |
| 0200 | 18.18 | 18.08 | 18.08 |
| 0230 | 18.18 | 18.09 | 18.09 |
| 0300 | 18.18 | 18.09 | 18.09 |
| 0330 | 18.18 | 18.08 | 18.09 |
| 0400 | 18.18 | 18.09 | 18.09 |
| 0430 | 18.18 | 18.09 | 18.08 |
| 0500 | 18.18 | 18.09 | 18.09 |
| 0530 | 20.55 | 18.07 | 18.07 |
| 0600 | 18.04 | 18.07 | 18.07 |
| 0630 | 18.01 | 18.06 | 18.06 |
| 0700 | 22.21 | 25.70 | 31.30 |
| 0730 | 24.68 | 25.79 | 31.23 |
| 0800 | 25.08 | 26.01 | 31.42 |
| 0830 | 27.91 | 27.91 | 33.47 |
| 0900 | 27.87 | 34.20 | 40.10 |
| 0930 | 28.05 | 34.52 | 40.45 |
| 1000 | 29.13 | 34.57 | 40.51 |
| 1030 | 29.18 | 28.73 | 34.45 |
| 1100 | 30.19 | 28.67 | 34.37 |
| 1130 | 32.22 | 28.94 | 34.72 |
| 1200 | 34.58 | 34.92 | 40.95 |
| 1230 | 34.48 | 34.75 | 40.73 |
| 1300 | 32.03 | 29.60 | 35.28 |
| 1330 | 27.99 | 26.29 | 31.69 |
| 1400 | 27.93 | 26.08 | 31.42 |
| 1430 | 28.24 | 26.01 | 31.34 |
| 1500 | 28.23 | 26.01 | 31.33 |
| 1530 | 28.24 | 26.04 | 31.36 |
| 1600 | 28.29 | 26.17 | 31.54 |
| 1630 | 31.90 | 33.62 | 39.27 |
| 1700 | 38.17 | 33.74 | 39.38 |
| 1730 | 39.12 | 33.58 | 39.15 |
| 1800 | 38.97 | 33.25 | 38.81 |
| 1830 | 26.21 | 25.81 | 31.09 |
| 1900 | 26.20 | 25.78 | 31.06 |
| 1930 | 24.68 | 25.78 | 31.05 |
| 2000 | 24.68 | 24.59 | 29.81 |
| 2030 | 23.75 | 23.78 | 28.96 |
| 2100 | 23.75 | 23.78 | 28.98 |
| 2130 | 35.08 | 23.77 | 28.97 |
| 2200 | 48.84 | 40.00 | 45.45 |
| 2230 | 54.30 | 42.00 | 47.57 |
| 2300 | 54.30 | 42.00 | 47.91 |
| 2330 | 23.70 | 24.50 | 29.76 |
| 2400 | 22.21 | 22.09 | 27.37 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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U.S. $100,000,000
ASFINAG
Autobahnen- und Schnellstrassen-Finanzierungs- Aktiengesellschaft
Guaranteed Floating Rate Notes due 1997
unconditionally and irrevocably guaranteed as to principal and interest by the
Republic of Austria

Notice is hereby given that for the Interest Period from July 14, 1993 to January 14, 1994 the Notes will carry an Interest Rate of 3.825% per annum. The amount of interest payable on January 14, 1994, will be U.S. $1,852.78 and U.S. $185.28 respectively for Notes in denominations of U.S. $100,000 and U.S. $10,000.

By: The Chase Manhattan Bank, N.A.
London, Reference Agent
July 14, 1993
CHASE

Notice to Noteholders of
GENERAL MOTORS CORPORATION
CAD 125,000,000 10.25% Notes 1988/95

In accordance with the Terms and Conditions of the Issue, notice is hereby given that Banque Belge Limited, London resigned from its capacity as sub-paying agent in London for the above-mentioned issue as from July 1993.

For any information please contact Banque Générale du Luxembourg S.A., who will continue in its role as Fiscal and Principal Paying Agent.

The Issuer

BANQUE GÉNÉRALE DU LUXEMBOURG

MNC Financial, Inc.
(formerly Equitable Bancorporation Overseas Finance N.V.)
U.S. $50,000,000
Guaranteed Senior Floating Rate Notes due 1994

For the three month period 13th July, 1993 to 13th October, 1993 the Notes will carry an interest rate of 5⅜% per annum with a coupon amount of U.S. $134.17 per U.S. $10,000 Note, payable on 13th October, 1993.

Bankers Trust Company, London — Agent Bank

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U.S. $75,000,000
Subordinated Guaranteed Floating Rate Notes due 2015
For the six months 13th July, 1993 to 13th January, 1994 the Notes will carry an interest rate of 3¾% per annum with a coupon amount of U.S. $191.67 payable on 13th January, 1994.

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DIVIDEND NOTICE
TO THE HOLDERS OF
EUROPEAN DEPOSITARY RECEIPTS FOR
COMMON STOCK OF TOSHIBA CORPORATION
(FORMERLY TOKYO SHIBAURA ELECTRIC COMPANY)
DESIGNATED COUPON NO. 90
(ACTION REQUIRED ON OR PRIOR TO OCTOBER 31, 1993)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of February 15th 1970 among Tokyo Shibaura Electric Company Limited (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE of a dividend of 5 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock on record of Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 109.20 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Bangladesh, Belgium, Bulgaria, Canada, CIS, Czechoslovakia, Denmark, Finland, France, The Federal Republic of Germany, Holland, India, Indonesia, Italy, Luxembourg, Malaya, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organised thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15% it is necessary that the surrender of Coupon No. 90 be accompanied by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depositary in London or any Depositary's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 90. Such certificates may be forwarded by the Depositary to the Company upon its request.

Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below upon surrender of Coupon No. 90.

DEPOSITARY'S AGENTS

| NAME | ADDRESS |
|---|---|
| Chemical Bank | Frankfurt, Germany |
| The Bank of Tokyo Limited | London, England |
| The Bank of Tokyo Limited | Paris, France |
| The Bank of Tokyo Limited | Brussels, Belgium |
| The Bank of Tokyo Limited | Frankfurt, Germany |
| Pierson, Heldring & Pierson | Amsterdam, The Netherlands |
| Banca Nazionale del Lavoro | Rome, Italy |
| Banca Nazionale del Lavoro | Milan, Italy |
| Kredietbank S.A. Luxembourgeoise | Luxembourg |

The following table sets forth the amounts payable upon presentation of Coupon No. 90 from the various denominations of Receipts.

| Coupon No. 90 Detached from Receipts in the Denomination of: | Dividend Payable (less 15% Japanese withholding tax) | Dividend Payable (less 20% Japanese withholding tax) |
|---|---|---|
| 1 Depositary Share | $1.95 | $1.84 |
| 10 Depositary Shares | $19.46 | $18.32 |
| 20 Depositary Shares | $38.92 | $36.63 |
| 50 Depositary Shares | $97.30 | $91.58 |
| 100 Depositary Shares | $194.60 | $183.15 |

Payment in United States Dollars in respect of Coupon No. 90 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: July 14, 1993 — Chemical Bank, as Depositary, 180 Strand, London WC2R 1EX, England.

* March 31, 1993 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of Common Stock not entitled to share in such dividend will be without Coupon No. 90 attached.

** Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deem appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after 31 October 1993 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupon No. 90.

As a result, persons surrendering Coupon No. 90 after such date will be entitled to receive from the Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

CHEMICAL
As Depository

Strong performances from financial services and power systems

# GE ahead at $1.3bn for quarter

By Martin Dickson in New York

GENERAL Electric, the diversified US manufacturing and services group, yesterday reported a 10 per cent increase in net earnings for the second quarter.

The group benefited from strong operating performances at its financial services and power systems businesses.

The company reported earnings of $1.33bn, or $1.56 a share, compared with $1.21bn, or $1.42, in the same period of last year.

Revenues rose by 4 per cent to $14.8bn.

The figures were slightly ahead of the Wall Street consensus and GE shares stood $¾ higher at $97¾ in lunchtime trading on the New York Stock Exchange.

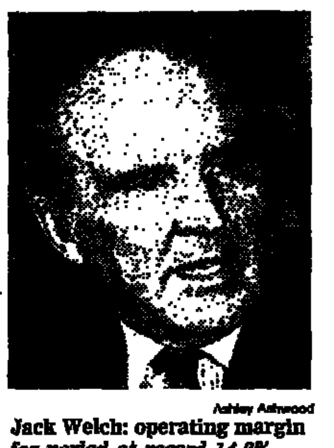
The quarter's results were distorted by the company's disposal of its aerospace business in April to Martin Marietta, also of the US.

It recorded a $678m, or 79 cents a share, after-tax gain on the sale which Mr Jack Welch, the chairman, said had been used to fund restructuring operations to enhance operations.

The one-time restructuring charge of 79 cents a share was classified as a reduction of continuing operations and the gain on the sale was classified as an increase in discontinued operations.

This meant that net earnings from continuing operations totalled $656m, or 77 cents a share, down 42 per cent, in spite of the 10 per cent gain at the net level.

Mr Welch said that the operating margin for the quarter was a record 14.2 per cent, compared with 12.8 per cent a year ago.



Ashley Ashwood

Jack Welch: operating margin for period at record 14.2%

Earnings at GE Capital Services, the financial services group, were 19 per cent ahead of 1992, with 16 of its 23 subsidiaries having record first-half earnings, including Kidder Peabody, its once-troubled securities house.

Power systems recorded "much higher" on-going operating profit on higher revenues, due to a strong performance by the power generation business.

Aircraft engines had flat operating profits on a considerable drop in revenues.

However, the company said that lower shipments of engines and spare parts were somewhat mitigated by revenues associated with the consolidation of a recently-acquired engine maintenance and management services business in Wales.

## Puma slips to DM12.6m loss, omits dividend

PUMA, the troubled German-based sports goods manufacturer, suffered a DM12.6m ($7.2m) loss in 1992, writes Ariane Genillard in Bonn.

The company recorded a small profit in 1991 after five consecutive years of losses. It confirmed that there would be no 1992 dividend.

Group sales for 1992 fell from DM577.1m to DM512.9m.

Including licensed sales, worldwide sales for the Puma label were DM1.17bn last year, down from DM1.29bn in 1991.

Mr Jochen Zeitz, the group's chief executive, said that the company had suffered from the decline in the price of sportswear and high marketing costs.

## Revenues at Ciga fall by 4.9%

By Haig Simonian in Milan

CIGA, the troubled luxury hotels chain which is controlled by the Aga Khan, suffered a 4.9 per cent fall in revenues in the first half as the recession bit into occupancy rates.

Turnover fell to L206.8bn ($88m) from L217.6bn, with the steepest fall in Spain where room occupancy sank to just 38 per cent.

By contrast, sales and occupancy in the big Italian market improved slightly.

Ciga's latest figures come as a Milan judge decides today whether to approve a court order in late May freezing the Aga Khan's stake in Ciga, which is held through his quoted Fimpar holding company. The court decision, postponed from early June, follows a legal action by the German subsidiary of the IMI financial services group, which led a $100m loan to Fimpar.

As a result of the freeze, trading in Ciga and Fimpar shares has been suspended for the past seven weeks. Ciga's shareholders' meeting yesterday elected two court-appointed representatives to its board, which has been slimmed down to seven from 12 members. The two members will represent the interests of the IMI-led bank consortium pending resolution of the dispute.

Ciga gave no precise earnings forecast for this year in view of the difficult trading conditions. However, it said that it expected operating earnings to be in line with the L23.9bn made before interest in 1992.

Having reduced costs to ensure break-even at occupancy levels of about 50 per cent, the group maintained it was well placed to benefit from any recovery.

Net group debts reached L1,101bn, including unpaid interest, at the end of last month, against L972bn at the end of December 1992.

Financial charges amounted to L196.3bn in 1992, with interest costs accounting for about L125bn and an additional burden of L71bn arising from the effect of the lira devaluation on Ciga's foreign currency borrowing.

## AT&T's new battle call in US phone war

By Martin Dickson

AN INTENSE marketing battle between American Telephone & Telegraph and MCI Communications for US long-distance telephone customers took a novel turn yesterday when AT&T trumpeted it had invented a method of "dramatically improving" the sound quality of calls over its network.

It said the new system made long-distance calls sound clearer, closer and more natural by boosting the base end of a call's sound spectrum. But the claim was immediately dismissed as a "marketing gimmick" by an MCI spokesman, who added: "It's not of any concern to us."

The new sound – called TrueVoice – is the latest of many attempts by America's largest long distance operators – AT&T, MCI and Sprint – to add brand value to what is essentially a commodity service.

As if to underline that point, some of AT&T's self-promotion yesterday sounded remarkably similar to an advertisement for toothpaste or pet food.

Mr Merrill Tutton, president of the group's consumer communications services, said research studies of AT&T, Sprint and MCI customers had shown that "eight out of 10 people surveyed preferred the sound quality of AT&T TrueVoice to current long-distance sound quality".

He claimed that TrueVoice "does for the telecommunications industry what the digital compact disc did for the recording business".

However, some journalists who were among the first to hear the new system felt if it did represent any improvement in sound quality, then this was incremental rather than a fundamental breakthrough.

AT&T, the largest US long distance company, certainly needs to bolster its market position, for MCI, the second largest carrier, has been taking share from it through marketing initiatives.

MCI has about 18 per cent of the long distance market, against 60 per cent for AT&T and 9 per cent for Sprint.

AT&T said it would begin introducing TrueVoice in some parts of the US in September and would complete deployment across the nation by the end of 1994.

## Merrill Lynch posts 53% rise to $345m at halfway

By Patrick Harverson in New York

THE BIG Wall Street securities house Merrill Lynch yesterday announced a 53 per cent jump in second-quarter profits to a record $345m, on total revenues of $3.97bn.

The strong second quarter took the firm's six-month earnings total to $687m, well ahead of the $443.7m reported in the first half of 1992.

Over the past two years Wall Street has enjoyed an unprecedented boom in stockbroking and investment banking business because of low US interest rates and heavy demand from investors for stocks and bonds.

The firm is the largest retail broker in the US, and in the second quarter its commission revenues (including commissions from the sale of mutual funds) totalled $666m, up from $568.8m in the same period a year ago.

Merrill also leads Wall Street in stock and bond underwriting with an 18.4 per cent share of the domestic market, and earnings from investment banking climbed 4 per cent in the quarter to $414m, due primarily to higher revenues from corporate debt underwritings.

As one the country's largest asset managers, with $148bn of client assets under fee-based management and more than $500bn in total client assets in the firm's custody, Merrill earned $240m in asset management and custodial fees, up 11 per cent from a year earlier.

Its largest source of income, however, remained principal transactions – the trading the firm does for its clients and its own account – which brought in $734m in the quarter, up 33 per cent on 1992 thanks to strong revenues from the trading of corporate equities, swaps and derivatives, corporate bonds and currencies.

The final component of earnings, net interest and dividend income, rose 20 per cent to $279m, due partly to higher levels of interest-earning assets and favourable interest rate spreads.

On the cost side, Merrill's non-interest expenses climbed 13 per cent to $1.97bn following an 18 per cent jump to $1.28bn in compensation and benefits payments, which are tied to the firm's profitability.

Although the news of strong second-quarter earnings provided an initial lift to Merrill's stock, when the share price reached a new 52-week high of $86¼ mid-morning, investors began to sell and take profits, so by early afternoon the stock was quoted at $84¾, down $1½.

## PaineWebber advances 30%

By Patrick Harverson

PAINEWEBBER, the US securities house, yesterday reported that second-quarter profits climbed to $59.3m, up 30 per cent on the $45.8m earned in the same period a year ago.

Revenues in the three months totalled $686.5m, compared with $592.1m in the second quarter of 1992.

The strong quarter took PaineWebber's half-yearly profits to a record $130.2m. In the first six months of 1992 it earned $120.1m.

PaineWebber said revenues from its four main areas of business – brokerage commissions, principal transactions, investment banking and asset management – all rose during the quarter.

The biggest contribution, apart from interest income, came from commission revenues, which rose 23 per cent to $239.9m as investor demand for securities products remained strong.

Earnings from principal transactions – the firm's trading for its clients and its own account – climbed 8 per cent to $182.7m, while investment banking revenues edged 5 per cent higher to $95.8m.

Asset management revenues, meanwhile, rose 19 per cent, to 77.4m as client assets under PaineWebber's control climbed from $107.4bn a year ago to $127.8bn. Net interest income rose 19 per cent to $328.1m.

Non-interest expenses were $589.2m, up sharply from a year earlier because of a big rise in performance-related employee compensation.

The results had little impact on PaineWebber's shares, which eased $¼ to $29 before the close in New York. In spite of the decline, the stock remained close to its 52-week high.

● Bear Stearns, the Wall Street securities house, yesterday announced the appointment of Mr James Cayne, the firm's president, as chief executive. Mr Alan Greenberg, chairman, said the move was a recognition of Mr Cayne's contributions to the company.

## Motorola turns in record result

By Louise Kehoe in San Francisco

MOTOROLA, the US electronics and semiconductor manufacturer, reported record second-quarter earnings, matching Wall Street expectations.

Net income rose 57 per cent to $224m, or 81 cents a share, from $143m, or 53 cents, fully diluted. Revenues were $3.9bn, up 25 per cent from the $3.1bn of the same period last year. Net profit margins on sales were 5.7 per cent, against 4.6 per cent a year ago.

Semiconductor sales advanced 28 per cent to $1.39bn, with orders up 30 per cent at an all-time high, the company said.

The general systems group, which includes telecommunications equipment, had sales of $1.18bn, up 40 per cent from the second quarter of 1992.

In the communications segment, including land mobile products and the paging and wireless data group, sales rose 23 per cent to $1.13bn.

Demand for Motorola's semiconductors, communications products and electronic equipment continued to increase throughout most of the world, even in regions such as Europe, where economic conditions remain sluggish, said Mr George Fisher, chairman and chief executive.

For the half-year, sales reached $7.56bn, up from $6.2bn in the first half of 1992. Earnings were $428m, or $1.58 a share, against $268m, or $1.01, before the cumulative effect of a 1992 accounting change related to insurance benefits. Fully-diluted earnings per share were $1.53, up from 99 cents a year earlier.


*This announcement is neither an offer to exchange nor a solicitation of an offer to exchange any securities. The Exchange Offer described below is made solely by the Offering Circular and Consent Solicitation dated July 8, 1993 and the related Letter of Transmittal and is being made to all holders of GLENFED Debentures. The Exchange Offer will not be made to (nor will tenders be accepted from, or on behalf of) the holders of GLENFED Debentures residing in any jurisdiction where the Exchange Offer would not be in compliance with applicable law. In any jurisdiction where the securities, blue sky or other laws require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer will be deemed to be made on behalf of Glendale Federal by The First Boston Corporation or one or more registered brokers or dealers licensed under the laws of such jurisdiction. This notice is to holders of the GLENFED Debentures only and is not calculated to lead directly or indirectly to any other person acting on its contents.*

**NOTICE OF EXCHANGE OFFER AND PROPOSED MERGER, RECLASSIFICATION, RIGHTS OFFERING AND ADDITIONAL PREFERRED STOCK OFFERING**

**TO THE HOLDERS OF**

**GLENFED, Inc.**

**7.75% Convertible Subordinated Debentures Due 2001**

Notice pursuant to Section 1206 of the Indenture dated as of March 15, 1986, between GLENFED, Inc. ("GLENFED") and Chemical Bank, as successor by merger to Manufacturers Hanover Trust Company (the "Indenture"), under which the 7.75% Convertible Subordinated Debentures Due 2001 (the "GLENFED Debentures") of GLENFED were issued, is hereby given of the following:

- GLENFED and Glendale Federal Bank, Federal Savings Bank, the principal subsidiary of GLENFED ("Glendale Federal" or the "Bank"), are undertaking a comprehensive financial Plan of Reorganization (the "Reorganization Plan") to address the current regulatory capital deficiencies of the Bank.
- In connection with the Reorganization Plan, Glendale Federal is offering (the "Exchange Offer"), upon the terms and subject to the conditions set forth in the Bank's Offering Circular and Consent Solicitation dated July 8, 1993 (the "Offering Circular"), and in the related Letter of Transmittal, Consent and Waiver, for each $1,000 principal amount of GLENFED Debentures (i) to issue 49 shares of common stock, par value $1.00 per share, of the Bank (the "Bank Common Stock") and 16.68 transferable rights (the "Rights") to purchase additional shares of Bank Common Stock at an exercise price currently anticipated to be $10.00 per share and (ii) to pay in cash interest that became due and payable on the GLENFED Debentures as of March 15, 1993. As part of the Exchange Offer, the Bank is requiring tendering holders of the GLENFED Debentures ("Debentureholders") to consent to certain proposed amendments to the Indenture (the "Debenture Amendments") and to give certain waivers, all as more fully set forth in the Offering Circular.
- The principal transactions provided for in the Reorganization Plan are collectively referred to in the Offering Circular as the "Recapitalization" and are (i) the Exchange Offer, (ii) the merger (the "Merger") of GLENFED with and into Glendale Investment Corporation, a wholly owned subsidiary of the Bank ("Bank Sub"), (iii) the reclassification (the "Reclassification") of the outstanding Bank Preferred Stock into a new series of Bank Preferred Stock, (iv) an offering of up to $300 million of Bank Common Stock (the "Rights Offering") to be made pursuant to the Rights issued to the holders of the common stock, $1.00 par value per share, of GLENFED ("GLENFED Common Stock") of record at the effective time of the Merger, the Debentureholders who tender into the Exchange Offer and the holders of outstanding Bank Preferred Stock that is reclassified pursuant to the Reclassification and to the transferees of the Rights issued to each of the foregoing and certain institutional and other investors and (v) an additional offering of $125 million of equity securities of the Bank, which are expected to consist of an additional new series of Bank Preferred Stock (the "Additional Offering"). The offering of shares of Bank Common Stock pursuant to the Merger and the Rights Offering, and the offering of Bank Preferred Stock pursuant to the Reclassification and the Additional Offering, will be made only by means of offering circulars filed with the United States Office of Thrift Supervision (the "OTS").
- As a result of the Merger: (i) Bank Sub will succeed to the business, assets and liabilities of GLENFED, (ii) each outstanding share of GLENFED Common Stock will automatically be converted into 0.04 shares of Bank Common Stock and 0.22 Rights, and (iii) the GLENFED Debentures that are not tendered in the Exchange Offer, as modified by the Debenture Amendments, will remain outstanding as obligations of Bank Sub only and not of the Bank.
- THE BANK IS SUBJECT TO A DIRECTIVE FROM THE OTS THAT REQUIRES, AMONG OTHER THINGS, THAT THE EXCHANGE OFFER AND THE OTHER TRANSACTIONS THAT COMPRISE THE RECAPITALIZATION BE COMPLETED BY NO LATER THAN AUGUST 31, 1993. IF THE EXCHANGE OFFER AND THE OTHER TRANSACTIONS COMPRISING THE RECAPITALIZATION ARE NOT COMPLETED AND THE BANK IS UNABLE TO COMPLY WITH THE REGULATORY CAPITAL REQUIREMENTS IMPOSED BY THE OTS, THE BANK MAY BECOME SUBJECT TO THE APPOINTMENT OF A CONSERVATOR OR RECEIVER, WHICH COULD SEVERELY IMPAIR, OR RENDER WORTHLESS, THE VALUE OF THE GLENFED DEBENTURES.
- THE EXCHANGE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS: (i) AT LEAST 90% IN AGGREGATE PRINCIPAL AMOUNT OF THE OUTSTANDING GLENFED DEBENTURES BEING VALIDLY TENDERED PURSUANT TO THE EXCHANGE OFFER AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE STATED BELOW; (ii) approval of the Reorganization Plan (including the Merger) by the stockholders of GLENFED; (iii) consummation of the Merger and satisfaction of the conditions to each of the other transactions comprising the Recapitalization; and (iv) approval of the material terms of the Recapitalization by the OTS, which is the primary United States regulator of the Bank.
- THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON AUGUST 4, 1993, UNLESS EXTENDED.
- It is expected that the Merger will become effective between August 4, 1993 and August 31, 1993.
- If the Exchange Offer is consummated, the GLENFED Debentures are expected to be delisted from the Luxembourg Stock Exchange.
- Holders of GLENFED Debentures are strongly encouraged to obtain copies of the Offering Circular to understand the terms of the Exchange Offer and the implications of tendering or not tendering into the Exchange Offer. Copies of the Offering Circular are available for review from the Dealer Manager, the Information Agent, CEDEL S.A. and Euroclear System, at the addresses listed below.

*The Dealer Manager:*
The First Boston Corporation
Park Avenue Plaza
55 East 52nd Street
New York, New York 10055
0101 212 909-3742 (Call Collect)

*The Information Agent:*
Chemical Bank
c/o Morgan Price
Corporate Paying Agency
Chemical Bank House
180 Strand
London
WC2R 1EX
4471 380-5545 (Call Collect)

or

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Brussels, Belgium
322 224-1211


## Court hearing on TWA postponed

By Karen Zagor in New York

A US bankruptcy court hearing scheduled for tomorrow to confirm Trans World Airline's reorganisation plans has been postponed.

The move is believed to be related to TWA's plans to name Mr William Howard as its new chairman.

Mr Howard, 71, former chairman of Piedmont Aviation, is expected to head the airline when it emerges from bankruptcy protection later this year. TWA has been operating under Chapter 11 of the bankruptcy code since January 1992.

TWA's unions and creditors have been pressing for an experienced outsider to help lead the company. Attempts to woo Mr Lee Iacocca, former head of Chrysler, failed late last year.

Mr Howard is credited with the success of Piedmont in the 1980s. He is also popular with labour groups – an important fact since TWA's unions will own 45 per cent of the reorganised airline's common stock and will have four seats on its board.

Mr Howard left Piedmont in 1987 to advise pilots at United Airlines who had bid for that carrier. In 1989 he led a group that tried to acquire Eastern Airlines when it was operating under Chapter 11.

Mr Howard faces a daunting task at TWA. Competition remains fierce, and TWA has lost some of its most valuable routes, including its New York-Heathrow route which was sold by TWA's former owner, Mr Carl Icahn, in 1991.

TWA's two co-chief executives, Mr Glen Zander and Mr Robin Wilson, are expected to remain with the company.

## Ex-Glaxo chief joins small US drugs group

By Paul Abrahams

MR ERNEST Mario, the former chief executive and vice-chairman of Glaxo, who left in March after a boardroom bust-up at Europe's largest pharmaceuticals company, has resurfaced in the pharmaceuticals industry.

Alza Corporation, a small specialist drug delivery system company based in Palo Alto, California, announced yesterday Mr Mario would become co-chairman and chief executive from the beginning of August.

The Californian company recorded sales last year of $250m and profits of $72.2m while Glaxo generated pre-tax profits £1.42bn on turnover of £4.09bn in 1992.

Alza generates its income through royalty payments from pharmaceuticals groups using its technologies.

Mr Mario replaces Mr Martin Gerstel who announced this year he planned to resign to pursue non-corporate interests.

## James Capel analysts quit

THE HEAD of research and at least one other analyst from the Latin American department of James Capel have resigned to join Bear Stearns, in an effort by the US brokerage to boost its coverage of emerging markets, writes Damian Fraser in Mexico City.

James Capel confirmed that Mr Geoffrey Dennis, head of research, and another analyst had quit, and that other defections were possible. But Mr Mark Donegan, head of emerging markets for James Capel, said: "If there were other resignations they would be very junior." Bear Stearns confirmed the hirings but declined further comment. However, it is known to have made coverage of emerging markets a priority.


**TENDER NOTICE**

**UK GOVERNMENT ECU TREASURY NOTES**

**For tender on 20 July 1993**

1. The Bank of England announces the sale by tender on behalf of Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes. These will add to the ECU 500 million nominal of the same securities sold at each of the tenders on 2 February and on 20 April 1993. The tender will be held on a bid-yield basis on Tuesday, 20 July 1993.
2. The ECU 500 million of Notes to be sold by tender will be dated as of 9 February 1993 and will mature on 23 January 1996.
3. Notes will bear an annual coupon of 8% payable on 23 January in each year, starting on 23 January 1994. Payment for Notes allotted in the tender will be due on 27 July 1993; the amount payable will include 168 days accrued interest.
4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on 20 July 1993.
5. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.
6. Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.
7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with Euroclear or CEDEL, Notes will be credited in the relevant systems against payment. For applicants who have requested definitive Notes, Notes will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on 27 July 1993, provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000, and ECU 1,000,000 nominal.
8. Her Majesty's Treasury reserve the right to reject any or part of any tender.
9. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1992. All tenders will be subject to the provisions of the Information Memorandum and to the provisions of this notice.
10. In addition to the ECU 500 million of Notes being offered for sale by tender, a further ECU 50 million nominal of Notes will be issued and retained by the Bank of England. These additional Notes will be added to the Bank's holdings of Notes which may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum.
11. Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England
13 July 1993

## INTERNATIONAL CAPITAL MARKETS

# Gilts shrug off 1.8% rise in manufacturing output

By Peter John in London and Patrick Harverson in New York

THE LATEST batch of UK economic data may have suggested that a recovery was in full swing but the gilt market failed to react accordingly, and was only slightly lower on the day.

Ultra long-dated gilt yields were at their lowest for more than 20 years when trading began yesterday morning.

News that manufacturing output had risen by 1.8 per cent in May against market expectations of only 0.3 per cent should have provided a perfect opportunity to take profits. That argument could have been strengthened by the weakness of government bond markets in mainland Europe.

### GOVERNMENT BONDS

There was a knee-jerk reaction and September gilt futures tumbled ¾ to 108 after the data was released.

However, the Central Statistics Office said the data had been distorted by the late May bank holiday. This dampened the enthusiasm and gilt prices rose again.

Although the futures contract closed at 107 $\frac{23}{32}$, most dealers said the slide was testing buying interest and reflecting the weakness in Europe rather than a fundamental shift in economic opinion.

Gilts has been rising steadily since May and the lack of volatility has meant buyers have found few opportunities to get into the market. Therefore, there was still strong demand. Mr Andy Tweed, gilts specialist with BZW, said: "Each time the market came back we saw buyers."

Mr Ian Shepherdson, UK economist with Midland Global Markets, said: "The market had been expecting a moderate increase in output and it got a staggering increase. The trend is undeniably upwards but the market does not believe the underlying trend to be as strong as these figures suggest."

The price of 15-year gilts eased only $\frac{1}{32}$ to 109⅜ and dealers said there was switching into index-linked gilts, which have been left behind.

**FT FIXED INTEREST INDICES**

| | July 13 | July 12 | July 9 | July 8 | July 7 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt Secs (UK) | 97.90 | 98.06 | 97.88 | 97.66 | 97.67 | 89.60 | 98.06 | 93.28 |
| Fixed Interest | 116.53 | 116.21 | 116.00 | 115.90 | 115.92 | 106.25 | 116.53 | 106.67 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 116.53 (13/7/93), low 50.53 (3/1/75)

**GILT EDGED ACTIVITY**

| Indices* | July 12 | July 9 | July 8 | July 7 | July 6 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 102.3 | 97.4 | 92.3 | 107.3 | 109.3 |
| 5-Day average | 101.7 | 100.4 | 100.2 | 106.4 | 108.9 |

* SE activity indices rebased 1974

■ GERMAN government bonds slipped, although the markets were looking for a cut of around 5 basis points in the repo today

Bund futures for September fell 0.22 to 96.08 on low volume as recent heavy foreign buying faded away.

Economists are hanging fire over a reduction in the key floor rates at the Bundesbank council meeting tomorrow until they see what happens at the repo. Some argue that if the funds injected at the repo top DM72bn and the cut is more than five basis points that would be a clear signal for a cut in lending rates on July 29 and possibly as soon as tomorrow

■ CONTINUING pressure on the French franc failed to check the French bond market which tested a new high before ending the day around 0.20 up on the previous close at 119.92.

Mr Kit Juckes, economist with S.G. Warburg Securities, said: "If there is a problem in France it's a currency problem and not a bond problem. Real yields are very high, a protracted rise in interest rates is not on the cards and the Balladur auction has shown that there is an excess of spare savings."

■ JAPANESE government bonds held on to their gains in London as investors bought on renewed hopes of a rate cut.

Dealers said that there had been investment buying during Tokyo trading by domestic life insurance firms and pension funds, taking the yield on the JGB No 145 from 4.28 per cent to 4.26 per cent.

■ AMONG the high yielders, Spanish bonds were barely moved after the Bank of Spain left key money rates unchanged and June CPI figures came in as expected.

Italian government bonds were firmer ahead of the Bundesbank repo today with BTP September futures rising by 27 basis points to 104.41.

■ US TREASURY prices eased lower across the board yesterday morning in the wake of June inflation numbers in line with, but no better than, expectations.

By midday, the benchmark 30-year government bond was down $\frac{1}{32}$ at 106 $\frac{13}{32}$, yielding 6.625 per cent. At the short end, the two-year note was also slightly weaker, down $\frac{1}{32}$ at 100 $\frac{3}{16}$, to yield 4.007 per cent.

The keenly-awaited June producer prices report confirmed that inflation does not pose a threat to fixed-income markets.

The Labor Department announced that its producer prices index fell 0.3 per cent in June and that its core measure of prices – excluding the volatile food and energy components – declined 0.1 per cent.

The data were consistent with Wall Street forecasts, although some analysts had hoped for a bigger decline in core producer prices. This disappointment, however marginal, probably accounted for the early selling, said dealers.

Ultimately, the good inflations news was already priced into bonds, so there was no need for buying yesterday. The market's attention quickly turned to the next data, today's release of the June consumer prices index, which analysts expect to mimic the performance of the PPI.

● Technical problems with the information service meant that closing benchmark government bond prices were unreliable yesterday. Consequently the table has not been published

# Japanese bonds stay cool ahead of election

By Emiko Terazono in Tokyo

As the countdown to Sunday's landmark election gets under way, the Japanese bond market is looking remarkably sanguine, with long-term yields in the lower half of this year's trading range.

Last minute campaigning might be all about political reform, with most of the new reformist groups pledging themselves to programmes for economic recovery, but bond market participants have mostly focused on recent economic data.

The data have pointed unequivocally to a delayed recovery, and bond yields have fallen steadily on renewed hopes of a cut in the official discount rate by the Bank of Japan.

The yield on the No 145 benchmark 10-year bond yesterday closed at 4.255 per cent, down from a May peak closer to 4.8 per cent.

Industrial production for May fell by 2.4 per cent compared with April. Meanwhile, the growth of housing starts decelerated to 0.3 per cent year-on-year, after averaging 5.5 per cent in the first quarter of this year.

May's total employment fell by 0.2 per cent from the previous month, while consumer demand also slumped, with growth of chain store sales falling by 3.5 per cent year-on-year.

Many private economists have revised their economic growth forecasts downward for the fiscal year. This has led to buying of long-term bonds. Institutional investors, which have been buyers of short-term bonds due to forecasts of a near-term economic recovery, are now investing in the No 145 bond.

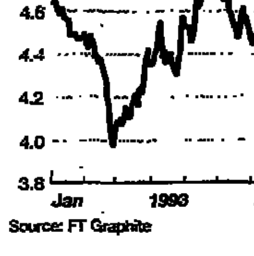
If – as widely predicted – the ruling Liberal Democratic Party does not regain its majority in Sunday's general election, a coalition government would result. The core party in any coalition would be likely to be conservative.

However, whatever the combination, an immediate stimulus for Japan's economy through public spending looks unlikely.

Mr Marshall Gittler, bond market analyst at Merrill Lynch, reckons that a coalition government would take its time in dealing with the sluggish economy.

**Japan**

Benchmark bond yield, JGB 145 (%)




Source: FT Graphite

He predicts that the Bank of Japan will be forced to cut interest rates, pushing down the yield on the No 145 benchmark to 4 per cent during the third quarter.

However, politicians in the new structure may try to arouse popular support through income tax cuts.

Ms Tomoko Fujii, an economist at Salomon Brothers, says such fiscal favours will create higher fiscal deficits. Together with refinancing by corporations of equity-linked bonds issued in the 1980s, this could put pressure on bond yields in the medium term, she says.

Ms Fujii expects the BoJ to remain reluctant to cut rates due to fears of reflation. This will make it difficult for the long bond yield to fall below 4.2 per cent, she says. In the long run, however, the impact of any political shake-up could be positive for the bond market.

Electoral reform will correct the over-representation in the rural areas, shifting more power to the urban electorate. This could liberalise areas such as agriculture and distribution, leading to lower inflation.

# Dutch bank launches tightly priced Eurosterling deal

By Sara Webb

BORROWERS tapped the international bond market using a wide assortment of currencies and structures – including straight bonds, floating rate notes and equity-linked issues – yesterday.

In the Eurosterling sector Bank Nederlandse Gemeenten, the Dutch bank which funds local authorities, launched a £200m, 10-year bond which some banks criticised for being too aggressively priced, especially since the borrower does not have an official credit rating.

BNG's bonds were priced to yield 30 basis points over the gilt, giving a yield of 7.83 per cent. Some dealers said the yield pick-up was too small to appeal to UK investors.

However, Paribas Capital Markets, the bookrunner for the deal, argued that BNG was regarded as "in line with triple-A borrowers," given that it was owned 50 per cent by the state and 50 per cent by the municipalities.

The deal was swapped into guilders, allowing the borrower to achieve its funding target of 25–30 basis points over the yield on the 10-year Dutch state loan – or around 6.75 per cent.

### INTERNATIONAL BONDS

Paribas Capital Markets said demand came mainly from international investors who saw little downside risk with the currency and who like the yield pick-up over the core European government bonds.

Elsewhere, the Republic of Austria launched a $350m, four-year floating-rate note, with a coupon of three-month Libor capped at 6.25 per cent.

CSFB, the lead manager, said the deal attracted interest from money market funds, which liked the higher, up-front coupon. "A lot of people think we are in a low interest rate environment and that if rates rise, they won't be going up that much," said an official.

One rival house criticised the deal, saying that it was rare to see such a low cap. Some of the much older issues (with a similar maturity date) trading in the market have caps of as much as 12 per cent.

Bayerische Vereinsbank, one of Germany's two large Bavaria-based banks, yesterday launched a collared floating rate note in the Canadian dollar sector of the international bond market.

The C$150m, 10-year deal has a coupon set at the rate on three-month bankers acceptances less 30 basis points, with a floor of 6.25 per cent and a maximum of 10 per cent. Three-month bankers acceptances are currently about 4¾ per cent. Kidder Peabody International, the lead manager, reported strong retail investor interest.

In the equity-linked sector, Morgan Stanley brought a L565bn convertible bond issue for Softe, a financial subsidiary of Stet, the Italian public sector telecommunications group.

The bonds can be exchanged for shares in Sip, the main telephone utility (Stet is the holding company for Sip).

**NEW INTERNATIONAL BOND ISSUES**

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Republic of Austria‡ | 350 | (a) | 100R | Aug.1997 | 0.15R | - | CSFB |
| Shikoku Electric Power Co. | 250 | 6.25 | 99.5R | Aug.2003 | 0.35R | +49 (6¼%-03) | UBS |
| Daido Steel Co.(b)ϕ | 200 | 1.375 | 100 | Jul.1997 | 2.25 | - | Nikko Europe |
| Unibanco | 90 | 8.5# | 100R | Jul.1996 | 1R | +420(4¼%-96) | Swiss Bank Corp. |
| **STERLING** | | | | | | | |
| Bank for Dutch Municipalities | 200 | 7.75 | 99.432R | Aug.2003 | 0.325R | +20 (8%-03) | Paribas Capital Markets |
| **CANADIAN DOLLARS** | | | | | | | |
| Bayerische Vereinsbank‡ | 150 | (c) | 100R | Aug.2003 | 0.5R | - | Kidder Peabody Intl. |
| **GUILDERS** | | | | | | | |
| Royal Ahold | 200 | 6.75 | 9.5R | Aug.2003 | 0.35R | +38 (6½%-03) | Rabobank Nederland |
| **ITALIAN LIRA** | | | | | | | |
| Softe(d)§ | 565bn | 4.25 | 88.75R | Jul.1998 | 2.5R | - | Morgan Stanley Intl. |
| WestLB (Europe) | 200bn | 10 | 101.875 | Aug.2005 | 2 | - | Bca.Nazionale del Lavoro |
| **ECUS** | | | | | | | |
| European Economic Community | 50 | 6.75 | (e) | Jul.2000 | (e) | - | Morgan Stanley Intl. |
| **PESETAS** | | | | | | | |
| Council of Europe | 15bn | 10.1 | 101.55 | Jul.2003 | 1.875 | - | Bco. Negocios Argentaria |
| **ESCUDOS** | | | | | | | |
| European Investment Bank | 15bn | 10.125 | 100.7 | Aug.2000 | 1.625 | - | Banco Finantia |
| **IRISH POUNDS** | | | | | | | |
| European Investment Bank | 50 | 7.75 | 99.898R | Aug.2003 | 0.325R | +28 (9¼%-03) | Salomon Brothers Intl. |
| **SWISS FRANCS** | | | | | | | |
| Kingdom of Belgium* | 200 | 4.5 | 101.75 | Aug.2000 | - | - | Credit Suisse |
| Snow Brand Milk Products(f)*ϕ | 200 | 1.125 | 100 | Aug.1997 | - | - | Swiss Bank Corp. |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor flat; maximum 6.25%. b) Fixing: 20/7/93. c) Coupon pays 3-month BA's - 0.3%; minimum 6.25%, maximum 10%. d) Exchangeable into existing savings shares of Sip at L2720. Callable from 30/7/96 at accreted value. e) Price, fees undisclosed. f) Fixing: 19/7/93.

## MARKET STATISTICS

**FT/ISMA INTERNATIONAL BOND SERVICE**

Listed are the latest international bonds for which there is an adequate secondary market.

Latest prices at 6:55 pm on July 13

[illegible]

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**RISES AND FALLS YESTERDAY**

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 17 | 55 | 6 |
| Other Fixed Interest | 11 | 4 | 0 |
| Commercial, Industrial | 229 | 279 | 900 |
| Financial & Property | 144 | 78 | 575 |
| Oil & Gas | 11 | 23 | 49 |
| Plantations | 0 | 0 | 8 |
| Mines | 15 | 64 | 59 |
| Others | 41 | 46 | 55 |
| Totals | 468 | 549 | 1,652 |

**LONDON RECENT ISSUES**

**EQUITIES**

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price p | +or - | Net Div. | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 125 | F.P. | - | 132 | 120 | AG Holdings | 128 | -1 | R5.25 | 1.9 | 5.1 | 11.5 |
| 100 | F.P. | - | 107 | 88 | Anagen | 90 | | - | - | - | - |
| 338 | F.P. | - | 358 | 358 | Baring Chrysalis C | 356 | | - | - | - | - |
| $10 | F.P. | - | 679 | 679 | Baring Emrg Mkts | 679 | | - | - | - | - |
| [illegible] | | | | | | | | | | | |

For notes on symbols refer to The Guide to The London Share Service.

**RIGHTS OFFERS**

[illegible]

**TRADITIONAL OPTIONS**

- First Dealings July 12
- Last Dealings July 23
- Last Declarations Oct. 14
- For settlement Oct. 25

*3-month call rate indications are shown in Saturday editions.*

Calls: Allied Radio, Aminex, Division, Essex Furn., Hanson Wts., Hartstone, Heritage, Millwall, Microfocus, Ramco, Resort Hotels, Suter Wts. and Waverley Mining. Puts: Dares Ests. and Microfocus. Puts & Calls: Dares Ests. and Greycoat.

## FT-SE ACTUARIES INDICES

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**LIFFE EQUITY OPTIONS**

[illegible]

**FT-ACTUARIES FIXED INTEREST INDICES**

| | PRICE INDICES | Tue Jul 13 | Day's change % | Mon Jul 12 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years (25) | 128.46 | -0.10 | 128.58 | 2.01 | 5.94 |
| 2 | 5-15 years (23) | 151.09 | -0.10 | 151.24 | 2.53 | 6.65 |
| 3 | Over 15 years (9) | 164.25 | -0.03 | 164.29 | 2.23 | 5.77 |
| 4 | Irredeemables (6) | 186.43 | +0.23 | 186.01 | 1.72 | 7.35 |
| 5 | All stocks (63) | 146.83 | -0.08 | 146.95 | 2.31 | 6.34 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years (2) | 186.25 | +0.06 | 186.15 | 1.35 | 1.92 |
| 7 | Over 5 years (11) | 176.18 | +0.21 | 175.81 | 0.59 | 2.92 |
| 8 | All stocks (13) | 176.42 | +0.19 | 176.07 | 0.68 | 2.80 |
| 9 | Debs & Loans (65) | 133.98 | | 133.98 | 2.56 | 5.59 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tue Jul 13 | Mon Jul 12 | Year ago (approx.) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 6.60 | 6.75 | 8.27 |
| 2 | Coupons | 15 years | 7.83 | 7.82 | 8.66 |
| 3 | (0%-7¾%) | 20 years | 7.98 | 7.98 | 8.66 |
| 4 | Medium | 5 years | 6.94 | 6.91 | 9.17 |
| 5 | Coupons | 15 years | 7.93 | 7.92 | 8.91 |
| 6 | (8%-10¾%) | 20 years | 8.04 | 8.04 | 8.86 |
| 7 | High | 5 years | 7.14 | 7.09 | 9.39 |
| 8 | Coupons | 15 years | 8.18 | 8.18 | 9.05 |
| 9 | (11%- ) | 20 years | 8.22 | 8.22 | 8.97 |
| 10 | Irredeemables(Flat Yield) | | 8.12 | 8.14 | 8.95 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 2.91 | 2.92 | 3.97 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.49 | 3.51 | 4.32 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 2.19 | 2.20 | 3.18 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.32 | 3.33 | 4.13 |
| 15 | Debs & | 5 years | 8.45 | 8.41 | 10.44 |
| 16 | Loans | 15 years | 8.89 | 8.88 | 10.20 |
| 17 | | 25 years | 9.07 | 9.07 | 10.08 |

Objectives achieved as acquisition of Dowty IT business gives the group international status

# Cray Electronics pushes up profits to £29m

By Paul Taylor

CRAY Electronics Holdings, the Berkshire-based data communications and software systems group which acquired the Dowty information technology division from TI for £50m in August last year, yesterday reported sharply higher profits for the year ended April 30 1993.

Swollen by the Dowty acquisition, profits on disposals and foreign *exchange as well as margin improve*ments and organic growth, pre-tax profits jumped from 2.35m to £29m.

Earnings per share were *13.8p (1.9p)* and the recommended final dividend is increased to 1p (0.5p) making a total of 1.5p (0.5p).

As expected the results will trigger the final tranche of a three-part share-option based incentive bonus package, worth in total about £27m.

The package will be shared by former chairman Sir Peter Michael, his successor Mr Roger Holland, Mr Jeff Harrison, finance director, and Mr Jon Richards, managing director, each of whom invested £750,000 in the stock at 50p a share when they took *over in 1989.*

Mr Holland, who succeeded Sir Peter last month, said: "Our objectives of improving profit margins, increasing exports and consolidation in the growth sectors of information technology have been achieved."

Turnover increased to £200.8m (£84.8m) including a 40 per cent increase in turnover from continuing operations to £90.4m (£64.6m) and £97m attributable to Dowty.

Continuing operations generated £11m (£3.22m) of operating profits in addition to the £7.2m of profits attributable to the acquisition and £322,000 (£2.14m) from discontinued operations.

After *paying £871,000 (£2.61m)* in interest charges the company reported "normal trading profits" of £17.6m, *slightly higher than most* forecasts. An additional £3.43m in realised foreign exchange profits made total profits on ordinary activities of £21m (£2.74m).

Pre-tax profits were further boosted by exceptional profits on disposals which with a £12.6m gain on the sale of Malvern Instruments partly offset by a £4.55m loss on other items.

At the divisional level, Cray Communications, which now incorporates most of the Dowty business, emerged as the largest and most profitable division within the company with *profits of £12.7m on turnover of £127m* representing almost 70 per cent of the total. The Dowty data communications companies accounted for £7.2m of the profits and £97m of the divisional turnover.

**● COMMENT**

The acquisition of the Dowty IT business has transformed Cray Electronics into an international force in the fast growing market for data communications equipment. The business has been quickly integrated but there is still room to push up margins in the combined communications division. The balance sheet is solid with £12m in net cash at the year end and *pre-tax profits should reach* £25.5m this year producing earnings of 8.7p per share. The shares slipped 6½p yesterday *to close at 156p and therefore* trade on a lofty prospective p/e of 17.9.

# Pressure builds on Spring Ram chief

By *Andrew Bolger*

PRESSURE IS mounting on Mr Bill Rooney, *chairman* and chief executive of Spring Ram, the bathrooms and kitchens group which has seen its *share* price plunge after three profits warnings within eight months.

Institutions led by the Prudential Corporation, Spring Ram's biggest shareholder, are now believed to have the support of 35 per cent of the share*holders* for their demand that Mr Rooney resign from the company which he co-founded.

Mr *Rooney* will be under intense pressure to stand down at a board meeting of Spring Ram today. He *has said* he would be prepared to give up the role of chairman or chief executive, but not both positions.

Company sources have suggested that other *executive* directors would not be prepared to work with an imposed chairman.

However, institutional investors believe that they would fall in line with the wishes of shareholders, in spite of their *loyalty to Mr Rooney.*

A key role is likely to be played at today's meeting by Mr Roy *Barber, Spring* Ram's only non-executive director. A specialist in reviving financially troubled *companies*, Mr Barber was appointed in April following the first bout of pressure from the Prudential.

Mr Rooney and his family trusts own 16 per cent of the group's shares. Other large stakeholders are Baillie Gifford with 6.8 *per cent* and Schroders with 3.5 per cent.

# Bank of Ireland sells stake in Greencore

By Roland Rudd

*THE BANK of Ireland, one of* the Republic's two leading clearing banks, has sold its stake in Greencore only months after the Irish government had difficulty in placing its holding.

Greencore's stockbrokers, Natwest Securities and NCB stockbrokers, sold the bank's 9.6m shares in the sugar, mill*ing and malting group at 300p* apiece, making it a I£2.4m (£2.25m) profit.

The bank acquired the shares in May when Davy Stockbrokers had difficulty in placing the government's 30.4 per cent stake in Greencore.

It rescued the sale of the government's holding by stepping in and buying the 11.6 per cent holding at 275p a share. Davy is a subsidiary of the bank.

*Mr Kevin O'Sullivan*, Greencore's finance director, said: "This shows there is no problem with the company or in placing its shares. Any problems in the past must have been with the government or its brokers."

The Irish Stock Exchange responded by launching an investigation into the placing *of the government's holding* which has been completed but has yet to be published.

The bank was originally forced to sell the shares because another of its subsidiaries, the Investment Bank of Ireland, held 15 per cent of Greencore – the maximum allowed under the company's articles of association.

# Low demand pushes Wyko into the red

By Paul Cheeseright, Midlands Correspondent

WYKO, the distributor and manufacturer of bearings and power transmission components, ended what it called "the most unrewarding and difficult year in the group's history" with a pre-tax loss of £20,000.

That compared with profits of £1.38m for the previous year to April 30. Losses per share were 0.5p, against earnings of 2.37p; a final dividend of 0.5p brings the total to 1p (2.8p).

Wyko's downturn in fortunes has come late in the business cycle. It is now in the middle of a retrenchment programme of a type which has become familiar in Midlands industry. Last year the payroll was cut from 1,060 to 962; there will be a further fall this year.

Both the distribution and manufacturing divisions contended with low demand, severe pressure on margins *and an erratic pattern of trade* which made – and still makes – business planning difficult.

Turnover was slightly higher at £57.4m, against £55.5m, reflecting a full contribution from EW Bearings, the distribution business, but disguising the disappearance of £5.13m of business on the disposal of Wyko Power Plant Gears in April 1992.

# Jacques Vert back in black

By Peter Pearse

*JACQUES VERT turned losses of £4.65m into* pre-tax profits of £1.03m in the year to April 24, as the women's fashion wear group reverted to its core activities.

Mr Malcolm Heald, finance director, said that margins had "crept upon continuing operations", but that the turnround was due to elimination of loss-makers.

The board took the decision to restructure at the end of the last financial year: since then Alain Cannelle has been closed, the 51 per cent stake in L'Anglaise sold and JV's part of the Ben de Lisi joint venture sold to Mr de Lisi.

*Mr Heald said that the group was now able to* trade profitably *even if the economic climate did* not improve, but it might have to look for more cuts if there was a third dip to the recession.

Cash flow and retained profit allowed borrowings to be reduced to £3.11m (£6.11m) at the *period-end. Gearing fell from 79 to 37 per cent.* Turnover emerged at £39.3m (£40.9m restated) and operating profits were £1.7m (losses £1.32m). *Interest payable was down at £499,000 (£866,000).*

Some 85 per cent of the group's output goes to wholesale with the balance being sold through JV's own retail outlets. At the end of April, it had 23 stand-alone stores, three down on last time, and having added 41 over the year, there were 46 concessions within other stores.

Mr Heald said that as a result of the markdown policy, JV was now "very clean" on stock – it was down at £4.6m (£5m), the lowest since April 1989.

*Earnings were 8.8p per share, against losses of* 40.66p last time. A final dividend of 2p is proposed for a total of 3p, against the 2p interim last time when the final was passed.

# Increased investment helps Savills to £1.4m

By Catherine Milton

AN INCREASE of one third in property investment by institutions and cost-cutting helped Savills, the surveyor and estate agent, return pre-tax profits of £1.44m for the 12 months to April 30, against losses of *£2.86m last time.*

A final dividend of 1p is proposed; directors omitted the interim having made no payment in the year to April 1992.

Earnings per share were 2.2p compared with losses of 6.5p.

Group turnover rose to *£25.3m (£23.7m)*. Mr George Inge, chairman, said: "Generally, the mood is improved on a year ago although economic uncertainty continues to dampen market confidence."

The commercial consultancy *division, which* includes investing for institutions, improved turnover to £10.7m (£9.68m) reporting operating profits of £819,000 (£1.25m losses).

Mr Inge said: "Our investment activity was up by about a third. Consultancy work on behalf of banks and other lending institutions continued to prosper during the year."

*Turnover* from the agricultural and residential business was virtually flat at £14.5m (£14m) with operating profits of £458,000 against losses of £1.66m.

Net interest received was £162,000 (£48,000). The group finished the year with £5m (£1.95m) cash and no borrowings.

# Great Portland to review management agent fees

GREAT PORTLAND Estates, *the UK's sixth largest property* group, is to review a long-standing arrangement by which it pays management fees to a company fully owned by Mr Richard Peskin, the group's chairman and chief executive, writes Andrew Bolger.

In the year to March, the property company paid fees of £2.9m to the management agent, Basil & Howard Samuel, which acts solely for Great Portland.

Mr Peskin told shareholders at the annual meeting that fees paid were significantly lower than those provided for by their contract and more than £6m had been saved for shareholders since 1986.

In the light of the Cadbury Report the board had decided to review the existing arrangements at its next meeting.

# Disappointing start for Court Cavendish

By Catherine Milton

Shares in Court Cavendish, the UK nursing home operator, ended the first day of trading at 207p compared with an issue price of 225p.

*The company's flotation is* the first in a recent spate of nursing home listings to disappoint the market. The offer was more than twice oversubscribed and applications were scaled down.

One analyst said last week's announcement of a £33.3m placing and open offer by rival operator CrestaCare had weakened demand for the stock.

# Takeover Panel chief expresses fears over European Directive

By Maggie Urry

SIR DAVID CALCUTT, chairman of the Takeover Panel, *fears that the European* Takeover Directive could mean the UK losing the advantages of a flexible and speedy response during takeovers and lead to tactical litigation during bids.

Sir David used his chair*man's statement* in the Panel's annual report to attack the directive, which requires a statutory body to regulate takeovers and mergers. The directive has been under discussion since 1987.

The Panel is a non-statutory body. It claims to "avoid over-rigid rules" and "the risk of takeovers becoming delayed by litigation of a tactical nature, which may frustrate the ability of shareholders to decide the outcome of an offer".

If the directive came into effect, said Sir David, "the tried and tested attributes of the Panel – the facility of advance consultation, flexibility of approach, speed of *response* and a decision on which practitioners can rely – may be lost or rendered less potent".

The annual report showed a sharp drop in the Panel's income, from £6.38m to £4.73m, largely because of a fall in contract note levy income from £4.1m to £3.29m and a drop in document fees from £2.26m to £1.4m.

Even so income exceeded expenditure, which fell by £60,000 to £4m, and with interest receivable of £85,000 (£63,000) the Panel's surplus after tax was £748,000, down from £2.32m. At the year end *the Panel had cash of £1.68m* (£889,000).

Mrs Frances Heaton, the director general, said the Panel "has decided not to make any changes to *the basis or level of* its charges".

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Birse | fin | nil | - | nil | nil | 1.65 |
| Bogod A | fin | 0.5 | Oct 1 | 0.5 | 0.7 | 0.7 |
| Colorvision | fin | 3.1 | Sept 23 | 2.5 | 5.6 | 8.1‡ |
| Cray Electronics | fin | 1 | Sept 9 | 0.5 | 1.5 | 0.5 |
| Electron House | fin | 1.55 | Oct 29 | 1.35 | 2.6 | 2.35 |
| Helton Holdings | fin | 1.35♣ | - | 1.35 | 2 | 2 |
| Jacques Vert | fin | 2 | - | nil | 3 | 2 |
| Real Time § | fin | 3 | - | 3 | 3 | 3 |
| River/Merc Extra | int | 1.9689* | Sept 7 | 1.9689 | - | 7.8755 |
| Savills | fin | 1 | Sept 10 | nil | 1 | nil |
| Triplex Lloyd | fin | 4.5† | Oct 1 | 4.5 | 7 | 7 |
| Wyko | fin | 0.5 | Oct 1 | 1.4 | 1 | 2.8 |

*Dividends shown pence per share net except where otherwise stated.* §USM stock. ♣Irish pence. ‡For 18 months. *Third interim: makes 5.906625 to date.

## NEWS DIGEST

# Colorvision advances to £1.78m

COLORVISION, the retailer of televisions, video recorders and camcorders, *lifted* pre-tax profits to £1.78m for the year ended March 31.

That compared with £84,000 for the previous 12 months which was struck after an exceptional charge of £808,000.

Turnover rose from £59.3m to £64.6m.

Having changed the year-end date the accounts showed turnover of £88.5m and profits of £2.03m for the 18 month period ended March 31 1992.

In line with the forecast made in January, directors are recommending a final distribution of 3.1p (2.5p) to make a 5.6p total.

The total was unchanged compared with the previous 12 months but was against 8.1p for the 18 month period.

### Heiton

Heiton Holdings, the Dublin-*based steel stockholder*, builders' merchant and retailing group, reported a 21 per cent increase in pre-tax profits, from I£1.48m to I£1.75m (£1.65m), in the year to April 30.

The *outcome* was achieved on turnover up from I£59.6m to I£61.7m and included 16 months trading for Hollington Company (Atlantic Homecare).

A final dividend of 1.35p is proposed, maintaining the total at 2p.

### Faber and Faber

Profits of Faber and Faber, the independent publisher, rose from £267,000 to £930,000 pre-tax for the year to end-March.

The growth was achieved despite first *half* trading conditions which many in the book trade saw as the worst in living memory. The second half showed a marked improvement.

### Farepak

Farepak, the USM-quoted mail order distributor and food processor, intends to seek an introduction to the main market.

To comply with the Stock Exchange's principal outstanding requirement for listing – that a minimum of 25 per cent of the company's shares be in public hands – family interests of Mr Bob Johnson, chairman, *will place* 2.05m shares with institutional investors via Hoare Govett Securities.

The shares rose 10p to 300p yesterday.

There is a limited amount of exhibition space available at the conference

FT FINANCIAL TIMES CONFERENCES

FINANCIAL REPORTING IN THE UK

London, 26 September 1993

The conference will review the recent changes proposed by the Accounting Standards Board and their impact on reported company profits and balance sheets from the point of view of all the interested parties.

Speakers include:

**Sir Bryan Carsberg**
Accounting Standards Board

**Mr Peter Holgate**
Coopers & Lybrand

**Mr Ken Wild**
Touche Ross & Co

**Mr David Damant**
Credit Suisse Asset Management

**Mr Nigel Stapleton**
Reed Elsevier plc

**Mr Edwin Glasgow QC**
Financial Reporting Review Panel

**Mr Paul Rutteman CBE**
Ernst & Young

**Mr Mike Townsend**
Rolls-Royce plc

**Mr James Carty**
Robson Rhodes

**Mr Jim McCaughan**
UBS International Investment London Limited

A FINANCIAL TIMES CONFERENCE in association with WORLD ACCOUNTING REPORT

FINANCIAL REPORTING IN THE UK

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FT FINANCIAL TIMES CONFERENCES

Telefónica de España, S. A.
1992 Final Dividend

The Board of Directors of Telefónica de España, S. A. in its meeting held on June 30th, 1993, adopted the following resolution:

To distribute a final dividend for the fiscal year 1992 to Telefónica shares that will be the following amount for each one of the shares indicated below:

| Number of Shares | Gross amount | Net amount |
|---|---|---|
| | (pesetas per share) | |
| 926.959.151 | 36,00 | 27,00 |

It was also agreed that the payment of this dividend shall be carried out on July 27th, 1993, with charge to coupon number 142.

Madrid, June 30th 1993
THE BOARD OF DIRECTORS

Telefónica

FUTURELINK
The fastest, most reliable, cost effective real-time FUTURES, FOREX and NEWS services available via FM within London.
LONDON 071 972 9779 CALL HYETRON ON PARIS 01 40 41 93 43

HYPO FOREIGN & COLONIAL PORTFOLIOS FUND
Société d'investissement à capital variable
Registered Office: Luxembourg, 14, rue Aldringen
Commercial Register: Luxembourg *Section B no* 25.570

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of HYPO FOREIGN & COLONIAL PORTFOLIOS FUND, SICAV, will be held at its registered office in Luxembourg, 14, rue Aldringen, on July 22nd, 1993 at 11.30 a.m. for the purpose of considering and voting upon the following matters:

1. To hear and accept:
   a) the management report of the directors
   b) the report of the auditor.
2. To approve the statement of net assets and the statement of operations and changes in net assets for the period ended March 31st, 1993 and to consider declaration of dividends.
3. To discharge the directors and the auditor with respect to their performance of duties during the period ended March 31st, 1993.
4. To elect the directors to serve until the next annual general meeting of shareholders.
5. To elect the auditor to serve until the next annual general meeting of shareholders.
6. Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of July 22nd, 1993, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14 rue Aldringen, Luxembourg, or with the following bank:

Banque Générale du Luxembourg S.A.
14, rue Aldringen
L-1118 LUXEMBOURG

The Board of Directors.

This advertisement describes briefly Dunedin Japan Investment Trust PLC and the Offer. It contains information in summary form and has been derived from, and should be read in conjuction with, the listing particulars dated 12th July, 1993 ("the listing particulars") relating to Dunedin Japan Investment Trust PLC prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986 ("the FSA"). The listing particulars alone contain full details of the Company and the Offer.

The Company is incorporated in Scotland under the Companies Act 1985, with registered number 145417. A copy of the listing particulars has been delivered to the Registrar of Companies in Scotland for registration in accordance with section 149 of the FSA and copies are available at the addresses set out in this document until 23rd July, 1993 and for collection only from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP during normal business hours until 15th July, 1993. The London Stock Exchange has authorised the issue of this document under section 154(1)(b) of the FSA without approving its contents.

The Directors, whose names are set out in this document, are satisfied that this document contains a fair summary of the key information set out in the listing particulars. However, in applying for Units, you will be treated as applying on the basis of the information in the listing particulars and on the terms and conditions of application set out therein. Before deciding to apply for Units, you are advised to read the listing particulars and, if you are in any doubt about the action you should take, to consult an independent financial adviser authorised under the FSA.

Words and expressions defined in the listing particulars have the same meanings when used in this document, unless the context requires otherwise.

In connection with the Offer, UBS Limited is acting for Dunedin Japan Investment Trust PLC and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of UBS Limited or advising any other person in relation to the Offer.

Application has been made to the London Stock Exchange for all of the Ordinary Shares and Warrants issued and to be issued to be admitted to the Official List. It is expected that listing will become effective and that dealings in the Ordinary Shares and Warrants will commence separately on 30th July, 1993.

# DUNEDIN JAPAN INVESTMENT TRUST PLC

## Placing and Offer for Subscription

### by UBS Limited

### of up to 8 million Units

(each Unit comprising 5 Ordinary Shares with 1 Warrant attached)

at 500p per Unit payable in full upon application

### *EXPECTED TIMETABLE*

| | |
|---|---|
| Latest time for receipt of Application Forms | 10.00 am Friday 23rd July, 1993 |
| Basis of allocation announced | Monday 26th July, 1993 |
| Ordinary Share and Warrant certificates despatched | Thursday 29th July, 1993 |
| Dealings in the Ordinary Shares and Warrants due *to commence* | *Friday 30th July, 1993* |

### APPLICATION

**An Application Form and a guide to the Application Form are set out in this document. The minimum application is for 50 Units. Applications for a greater number must be made in multiples of 10 Units. Details of where to send the completed Application Form are set out in the guide to the Application Form.**

### INTRODUCTION

**The Company**

Dunedin Japan Investment Trust PLC is a new investment trust, with the objective of achieving above-average long term capital growth by investing in a diversified portfolio of Japanese equities.

Investments will be made in large, medium and smaller sized companies listed on the First, Second and OTC markets of Japan.

The Company has a simple capital structure consisting of Ordinary Shares and Warrants which will be listed separately on the London Stock Exchange. Each Warrant will entitle the holder to subscribe for 1 Ordinary Share in any of the years 1995 to 1999, at a price of 100p per share.

It is intended that the Company will be managed so as to satisfy the conditions for approval by the Inland Revenue as an investment trust.

**The Manager**

Dunedin is one of the largest managers of investment trusts in the United Kingdom, in terms of funds under management, with approximately £1.7 billion of assets in that sector. Total funds under management exceed £3.8 billion, with approximately £400 million invested in Japanese equities.

Dunedin is currently focusing on companies which can show above-average profit growth through rationalisation and cost-cutting and those whose profit margins can increase as the economy recovers.

Dunedin has a team of four Japanese stock market specialists, two in Edinburgh and two in Tokyo. In 1992, the team visited over 150 Japanese companies. Visits are made to the large multinationals as well as to smaller under-researched companies.

The Trust will be managed by Nigel Barry and his team who have established an excellent long term track record in the Japanese equity markets through Dunedin Japan Growth Unit Trust and Dunedin Japan Smaller Companies Unit Trust as indicated below:

| | Over 1 year | From launch* |
|---|---|---|
| Dunedin Japan Smaller Companies Unit Trust | +84.1% | +416.0% |
| Japanese Unit Trust Sector Average | +73.1% | +214.0% |
| Tokyo New Stock Exchange Index (£) | +92.3% | +194.2% |
| Tokyo Second Section Index (£) | +80.0% | +149.3% |
| *October 1985, *Source: Micropal offer to offer, to 1.7.93* | | |

| | Over 1 year | From launch* |
|---|---|---|
| Dunedin Japan Growth Unit Trust | +95.2% | +30.8% |
| *Japanese Unit Trust Sector Average* | +73.1% | +13.0% |
| Tokyo New Stock Exchange Index (£) | +92.3% | +12.3% |
| *July 1990, *Source: Micropal offer to offer, to 1.7.93* | | |

*Notes:* (1) Past performance may not be a guide to future performance.
(2) Figures are Sterling adjusted and on the basis of net income re-invested.

### INVESTMENT IN JAPAN

The *Directors* believe that the following factors, based on their expectations, are indicative of the current attractions of investment in Japanese equities:

By cutting official interest rates to exceptionally low levels and by adopting a stimulatory fiscal programme, the Japanese authorities have now set a framework within which recovery can begin, such that after two years of slowdown the Japanese economy is showing early signs of recovery.

In the fiscal year to March 1993 the economy is expected to have grown by approximately 1 per cent., but as a result of government measures it is expected that the economy should grow by 2 per cent. in the fiscal year to March 1994, accelerating to over 3 per cent. in the following fiscal year as consumption and private capital investment recover.

Recent figures confirm that the economy is improving: inventory levels are falling; shipments and industrial production are showing signs of bottoming and are expected to turn positive during the second half of the fiscal year, as is the rate of growth in the money supply. This trend is likely to continue as confidence picks up and corporate and consumer loan demand recovers.

Although profit growth in this fiscal year is expected to be negligible, the outlook for the following two years is encouraging when Japanese companies should benefit from any general improvement in the economy and should, in addition, see margins expand as high depreciation costs decline and rationalisation and cost cutting measures feed through to profitability.

The official inflation figure *is expected to trend towards zero during the second half of* 1993. The yen is likely to remain a strong currency because of Japan's continued large trade surplus and the low inflationary environment. Real interest rates remain high and Japan is reacting to international pressure to stimulate growth through lower interest rates.

Over the past three years international investors have maintained significantly underweight positions in Japanese equities. International investors are now reassessing their exposure as the perceived risk lies more in under-performing through being underweight in the world's second *largest stock market. Sizeable asset allocation* switches into Japan by international investment managers are expected to produce a further flow of funds into the Japanese equity market. The confidence of domestic institutional and private investors in stock market investment in Japan has also grown.

### PROPOSED INVESTMENT POLICY

The Directors believe that Dunedin's investment philosophy is well suited to the investment opportunities available in the Japanese equity market.

The Directors believe that many medium and smaller-sized companies in Japan remain under-researched although in many cases they have premium profit growth rates and are trading on lower ratings than the market as a whole. Dunedin has a great deal of investment experience in this sector of the market and, when appropriate, the Company is likely to have exposure to smaller companies listed on the Second Section and OTC.

The Manager will make investments which reflect its philosophy of seeking out undervalued companies which have above average growth potential.

The Manager will take a "top down" view on the Japanese economy in formulating investment policy and a "bottom up" view on individual companies and with regard to stock selection. Company visits and Dunedin's stock screening process are central to both the sector weighting and stock selection decisions. This process will help to identify areas where growth is available at an appropriate price.

The Manager has achieved its track record by focusing on pockets of growth in the economy. Areas which were overweighted included companies geared into housing, domestic infrastructure spending, utility capital expenditure and selected areas of manufacturing. The Manager is now focusing on companies *which can show* above-average profit growth through rationalisation and cost cutting, and those whose profit margins can increase as the economy recovers.

### MANAGEMENT ARRANGEMENTS

Dunedin has entered into an investment management and administration agreement with the Company under which it will receive a quarterly management fee of 0.25 per cent. of the value of the assets of the Company (plus VAT) calculated on the last business days of September, December, March and June of each year. The Manager will be appointed for an initial period of three years, following which the Directors will review the management contract.

### DUNEDIN AS AN INVESTMENT HOUSE

**History**

Dunedin was formed in February 1985 through the merger of the management teams of two long-established investment trust groups in Edinburgh and Dundee dating back to the end of the nineteenth century. Dunedin is the largest Scottish based investment trust manager of investment trusts and the fourth largest in the United Kingdom, in terms of funds under management.

Over the last eight years, Dunedin's sphere of operations has expanded rapidly to include pension funds, unit trusts, private clients, venture capital and internationally based institutional clients.

*In 1989, Dunedin acquired* the fund management operations of The British Linen Bank. This, together with related transactions, resulted in the Bank of Scotland Group becoming a 50.5 per cent. shareholder of the company, although Dunedin retains its operational independence.

Dunedin's funds under management currently exceed £3.8 billion and the company employs over 100 people at its headquarters in Edinburgh and its offices in Dundee, Chicago and Tokyo.

**Management Style**

Dunedin is a long term investor with a strong focus on identifying underlying value in its stock selection. Dunedin maintains a proprietary database of company information on which a rigorous screening process is employed to identify stocks which meet its valuation criteria. This process also highlights sectors of the market which are attractive for purchase.

The Japanese investment management team in Edinburgh meets on a weekly basis to review the results of the systematic stock screening process and to add its subjective input on individual companies following company meetings or visits. There is daily contact between the Edinburgh and the Tokyo based members of the team.

Dunedin maintains a regular programme of research visits to medium and smaller sized companies which are not generally well researched by external sources. The Tokyo-based staff are primarily involved in this research process which is augmented by regular visits from the United Kingdom based fund managers.

### DUNEDIN'S RELATIONSHIP WITH BARNARDO'S

Barnardo's is the United Kingdom's biggest and best known children's charity, offering a wide range of services. The charity works with around 22,000 children, young people and families a year in over 150 local projects.

Dunedin has indicated to the Company its intention to donate 35 per cent. of its annual management fee from the Company to Barnardo's, for a period of five years, to support community projects throughout the *United Kingdom*.

### DURATION OF THE COMPANY

It is not intended that the Company should have a limited life, but the Directors consider it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Articles of Association of the Company contain provisions requiring the Directors to put proposals for the continuation of the Company to Shareholders at the Company's Annual General Meeting in the year 2000 and thereafter at five yearly intervals.

### DIVIDENDS AND ACCOUNTS

The Company's *primary investment objective is to maximise capital growth. Having* regard to the relatively low dividend yield of many Japanese companies it is unlikely that dividends paid by the Company will be significant. However, in order to qualify as an investment trust, the Company may not retain in any accounting period more than 15 per cent. of the income it derives from shares or securities. It is expected that a nominal dividend will be paid once a year.

The Company's financial year end is 30th June in each year: the Company's first accounting period will end on 30th June, 1994.

### TAXATION

The Directors intend to conduct the affairs of the Company in such a manner as to satisfy the conditions for approval as an investment trust set out in section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from UK corporation tax on capital gains in respect of each accounting period for which such approval is granted. Potential investors are referred to paragraph 8 of Part III of the listing particulars for further details *of the taxation of the Company*, Shareholders and Warrantholders. Any potential investor in doubt as to the taxation consequences of the acquisition, disposal or holding of Ordinary Shares or Warrants, or of investing in a PEP, should consult a professional adviser.

### RISK FACTORS

The value of securities and the income to be derived therefrom may fluctuate. The past performance of Dunedin Japan Growth Unit Trust and Dunedin Japan Smaller Companies Unit Trust is not necessarily indicative of the future performance of the Company.

There is no guarantee that following the general election in Japan, in July 1993, the future government will continue to implement existing economic policies

There is no guarantee that the market value of the Ordinary Shares will fully reflect their underlying net asset value.

*The Warrants have the potential for higher capital appreciation than the Ordinary* Shares though their market price is likely to be subject to greater volatility.

Whilst the Ordinary Shares and the Company's net asset value will be quoted in sterling, its investments will be in yen and investors will accordingly have a foreign currency exposure. The Company reserves the right to hedge this exposure, solely for the purposes of protecting the value of underlying investments.

### *DIRECTORS*

The Company has 4 Directors, all of whom are independent of Dunedin:

Andrew Graham Stewart McCallum (67), Adviser to the Board of John Swire & Sons Ltd., London.

Richard Alexander Hambro (47), Chairman of J O Hambro Investment Management.

William Gordon McQueen (46), General Manager, International and Treasury, Bank of Scotland.

Lord Ramsay (45), Managing Director of Jamestown Investments.

### OFFER DETAILS

The Company is offering up to 8 million Units (each Unit comprising 5 Ordinary Shares with one Warrant attached) at 500p per Unit.

UBS has agreed to procure subscribers or itself subscribe for 2.86 million Units pursuant to the *Placing and these Units will be allotted in full conditional, inter alia,* upon listing becoming effective. The remaining 5.14 million Units are being offered to the public under the Offer for Subscription. The Offer for Subscription has not been underwritten. Details of how to apply for Units are set out under "Guide to the Application Form" in this document.

### OFFER STATISTICS

| | *Minimum* (Note 1) | *Maximum* (Note 2) |
|---|---|---|
| Number of Ordinary Shares in issue following the Offer | 14,300,000 | 40,000,000 |
| Number of Warrants in issue following the Offer | 2,860,000 | 8,000,000 |
| Offer price per Unit | 500p | 500p |
| Estimated net proceeds of the Offer (Note 3) | £13,585,000 | £38,720,000 |
| Estimated net asset value per Ordinary Share following the Offer | 95.0p | 96.8p |

Notes: (1) Assuming the minimum subscription for 2.86 million Units pursuant to the Placing.
(2) Assuming the maximum subscription for 8 million Units.
(3) These figures are based on the estimated expenses of the Offer calculated as described in paragraph 10 of Part III of the listing particulars

12th July, 1993

### GUIDE TO THE APPLICATION FORM

The following instructions should be read in conjunction with the Application Form.

**1** **Insert your full name and address in BLOCK CAPITALS in Box 1.** *Applications may only be made by persons aged 18 or over. However, a parent,* grandparent or guardian of a person under 18 may apply for the benefit of that minor. To apply for the benefit of a minor, you should put your own name in full in Box 1 and complete the minor's details box within Box 1 with the full names and date of birth of the minor. You are not thereby precluded from making a single separate application for your own benefit.

See notes 6 and 7 for joint applications.

**2** **Insert in Box 2 (in figures) the number of Units for which you are applying.** Your application must be for a minimum of 50 Units. Applications for more than 50 Units should be made in multiples of 10 Units (i.e. applications for 60, 70, 80, 90 etc.).

Applications for any other numbers or multiples of Units may be rejected.

**3** **Insert in Box 3 (in figures) the amount of your payment.** The amount of your cheque or banker's draft should be 500p multiplied by the number of Units inserted in Box 2.

**4** **Sign and date the Application Form in Box 4.** The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)), if duly authorised by power of attorney to do so, but any power of attorney pursuant to which this is done (or a duly certified copy thereof) must be enclosed for inspection.

A corporation should sign under the hand of a duly authorised officer whose representative capacity must be stated.

**5** **You must pin to this completed Application Form a single cheque or banker's draft for the full amount payable.** Your cheque or banker's draft must be payable to "Bank of Scotland—A/C Dunedin Japan" for the amount payable on application inserted in Box 3 and should be crossed "A/C Payee only".

No receipt will be issued for this payment which must be solely for this application.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses, and must bear the appropriate sort code number in the top right hand corner.

Applications may be accompanied by a cheque or banker's draft drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person named in Box 1.

**6** **You may apply with up to three other persons.** If you do so, you must arrange for the full names and addresses of each joint applicant (up to a maximum of three other persons, in addition to the first applicant) to be put in BLOCK CAPITALS in Box 6. A certificate in the names of joint applicants will be sent to the applicant named in Box 1.

**If you make a joint application, you will not be able to transfer the shares into a PEP. If you are interested in transferring your shares into a PEP, you should apply in your own name only.**

**7** **Box 7 must be signed by or on behalf of each joint applicant** (other than the first applicant who should complete Box 1 and sign in Box 4).

If any individual is signing on behalf of any joint applicant(s), the power(s) of attorney or (a) duly certified copy(ies) thereof must be enclosed for inspection.

**8** **If you have any queries on the procedure for application and payment, you should contact Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL (telephone 031-243 5368).**

### TERMS AND CONDITIONS OF APPLICATION

(i) The contract created by the acceptance of applications under the Offer will be conditional upon (a) the admission of the Ordinary Shares and the Warrants to the Official List of the London Stock Exchange and such admission becoming effective in accordance with the Rules of the London Stock Exchange by not later than 6th August, 1993 and (b) the Placing Agreement referred to in paragraph 5 of Part III of the Listing Particulars becoming unconditional and not being terminated in accordance with its terms.

(ii) The right is reserved to present all cheques for payment on receipt by Bank of Scotland New Issues and to retain surplus application moneys pending clearance of successful *applicants' cheques. The right is also reserved to reject in whole or in part, or to scale* down or limit, any application

If any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application moneys or, as the case may be, the balance thereof will be returned without interest by returning the applicant's cheque, or by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application moneys will be retained by Bank of Scotland New Issues in a separate account.

(iii) By completing and delivering an Application Form, you (as the applicant(s)):

*(a)* offer to subscribe for the number of Units (each comprising of 5 Ordinary Shares with 1 Warrant attached) ("a Unit") specified in your Application Form (or such lesser number for which your application is accepted) at 500p per Unit and on the terms of, and subject to the conditions, set out in the Listing Particulars, including these terms and conditions and subject to the Memorandum and Articles of Association of the Company;

*(b)* agree that, in consideration of the Company agreeing that it will not prior to 6th August, 1993, offer for subscription any Ordinary Shares (with Warrants attached) to any person other than by means of the procedures referred to in the Listing Particulars, your application may not be revoked until after 6th August, 1993 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch of your Application Form by post to us, in the case of delivery by hand, on receipt by Bank of Scotland New Issues;

*(c)* warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a certificate for either the Ordinary Shares or Warrants applied for;

*(d)* agree that, in respect of those Units for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that *basis) or (ii) by notification of acceptance thereof to Bank of Scotland New* Issues;

*(e)* agree that any moneys returnable to you may be retained by Bank of Scotland New Issues pending clearance of your remittance and that such moneys will not bear interest;

*(f)* authorise Bank of Scotland New Issues on behalf of the Company to send certificates in respect of the number of Ordinary Shares and Warrants for which your application is accepted and/or a crossed cheque for any monies returnable, by post to the address of the person (or first-named person) named as an applicant in the Application Form;

*(g)* warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and undertake to enclose your power of attorney or other authority or a copy thereof certified by a solicitor;

*(h)* agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts;

*(i)* confirm that in making such application you are not relying on any information or representations in relation to the Company other than those contained in the Listing Particulars and the Mini Prospectus and accordingly you agree that no person responsible solely or jointly for the Listing Particulars or any part thereof shall have any liability for any such other information or representations;

*(j)* authorise Bank of Scotland New Issues, UBS or any person authorised by the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares and Warrants subscribed by you into your name(s);

*(k)* agree that, having had the opportunity to read the Listing Particulars, you shall be deemed to have had notice of all information and representations concerning the Company contained herein;

*(l)* confirm that you have reviewed the restrictions contained in paragraph (v) *below and represent and warrant as provided therein;*

*(m)* agree that all documents and cheques sent by post to, by or on behalf of the Company or UBS will be sent at the risk of the person(s) entitled thereto under the Offer;

*(n)* confirm that you have read and complied with paragraph (iv) below;

*(o)* agree that such Application Form is addressed to the Company and UBS;

*(p)* warrant that you are not under the age of 18 on the date of your application; and

*(q)* agree that your application for Units will remain valid even if you attempt to transfer them into a PEP which is subsequently voided or not established.

(iv) No person receiving a copy of the Listing Particulars, the Mini-Prospectus or any Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory

(v) Neither the Ordinary Shares nor the Warrants have been or will be registered under the United States Securities Act of 1933 (as amended). The Ordinary Shares and Warrants may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in *the United States or to any US Person. Persons subscribing for Ordinary Shares (with* Warrants attached) shall be deemed, and (unless the Company is satisfied that the same can be allotted without breach of United States securities laws) persons subscribing for Ordinary Shares in connection with the exercise of Warrants shall be required to represent and warrant to the Company that they are not US Persons and that they are not subscribing for such Ordinary Shares for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares or Warrants in the United States or to any US Person. As used herein, "United States" means the United States of America (including each of the States thereof and the District of Columbia), its territories or possessions or other area subject to its jurisdiction and "US Person" means any person who is a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

(vi) The basis of allocation will be determined by the Company in consultation with UBS. The right is reserved notwithstanding the basis so determined to reject in whole or in any part and/or scale down any application. The right is reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the Application Form and any Application Form not received by the latest time and date for receipt of applications stated on page 5 of the Listing Particulars. If applications are not received for the maximum number of Units, the number of Units for which applications are received may be allotted, subject to satisfaction of the conditions referred to in (i) above

### AVAILABILITY OF LISTING PARTICULARS

Copies of Listing Particulars and of the Mini Prospectus are available for collection only from The Company Announcements Office, the London Stock Exchange, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP until 15th July, 1993 and from the Companies Fiche Service maintained by Extel Financial Limited, 13-17 Epworth Street, London EC2A 4AL for collection from 3.00 pm on 12th July, 1993 and until 23rd July, 1993 from:

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DUNEDIN

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### DUNEDIN JAPAN INVESTMENT TRUST PLC

Offer by UBS Limited of up to 5.14 million Units (each Unit comprising 5 Ordinary Shares with 1 Warrant attached) at 500p per Unit, payable in full on application.

**Please use block capitals**

**1**
Forename(s) in full ____________________
Mr., Mrs., Miss or title
Surname ____________________
Minor's forename(s) (in full) ____________________
Surname ____________________ Date of birth ____________________
Address (in full) ____________________
____________________ Postcode ____________________

**2** I/We offer to subscribe for ____________________ Units

(or any smaller number of Units for which this application is accepted) at the Unit Price of 500p per Unit payable in full on application on the terms and conditions set out in this Application Form and the listing particulars dated 12th July, 1993 and subject to the Memorandum and Articles of Association of Dunedin Japan Investment Trust PLC.

**3** I/We attach a cheque or banker's draft for the amount payable to "Bank of Scotland—A/C *Dunedin Japan*". £ ____________________

(500p multiplied by the number of Units inserted in Box 2).

**4** Dated ____________________ 1993 Signature ____________________

**5** ➔ ☐ Pin here your cheque or banker's draft for the amount in Box 3 made payable to "Bank of Scotland—A/C Dunedin Japan" and crossed "A/C Payee only".

**FOR OFFICIAL USE ONLY**

1. Form No.
2. Acceptance No.
3. Units allocated
4. Amount received £
5. *Amount payable* £
6. Amount returned £
7. Cheque No.

Complete Boxes 6 and 7 only when there is more than one applicant. The first or a sole applicant should sign in Box 4 and complete Box 1. *Insert in Box 6 the names and addresses of the second and subsequent* applicants, each of whose signatures is required in Box 7.

**6**

**Please use block capitals**

| | | |
|---|---|---|
| Forename(s) (in full) ______ Mr., Mrs., Miss or title | Forename(s) (in full) ______ Mr., Mrs., Miss or title | Forename(s) (in full) ______ Mr., Mrs., Miss or title |
| Surname ______ | Surname ______ | Surname ______ |
| Address (in full) ______ | Address (in full) ______ | Address (in full) ______ |
| Postcode ______ | Postcode ______ | Postcode ______ |

**7**

| | | |
|---|---|---|
| Signature ______ | Signature ______ | Signature ______ |

**DELIVERY OF APPLICATION FORM**

**Send the completed Application Form together with the cheque or banker's draft by post or by hand to Bank of Scotland, New Issues, Apex House, 9 Haddington Place, Edinburgh EH7 4AL or deliver it by hand to Bank of Scotland, London Chief Office, 38 Threadneedle Street, London EC2P 2EH so as to be received by 10.00 am on Friday, 23rd July, 1993.**

If you post your Application Form, you are recommended to use first class post and to allow at least two working days for delivery

Photocopies of Application Forms will not be accepted. Multiple applications or suspected multiple applications may be rejected in their entirety.

Your attention is drawn to the warranties in paragraph (iii) of Terms and Conditions of Application of this document.

# Birse deficit hits £18.5m as recession bites

By Andrew Taylor, Construction Correspondent

BIRSE GROUP, the building and civil engineering company in which Bilfinger & Berger, the German contractor, has a 15 per cent stake, incurred a £18.5m pre-tax loss during the 12 months to end-April.

The deficit compared with a £12.3m loss the previous year. Turnover fell by 7.9 per cent from £356.1m to £328.4m. Losses per share widened from 15.3p to 22.3p.

The loss was struck after provisions of £3.48m against the group's commercial property operations. That was only slightly lower than the £3.67m provisions made against commercial property in 1991-92.

Mr Peter Birse, chairman, said the company had suffered from a severe recession in all its markets.

The company has net debt of £27m, more than twice shareholders' funds of £12.5m. It recently renegotiated its loan agreements, rescheduling its short term borrowings "on a committed three year basis to May 1996."

Mr Birse said the agreement with the banks had given the group a firm foundation from which to reduce its borrowings through an orderly sale of its commercial property interests valued at £35m.

Its contracting operations last year incurred a loss of about £9m compared with a deficit of £5m the previous year. Commercial property ran up a loss of £4m after provisions (£3.1m); plant hire profit fell from £1.5m to £1m while house building made a similar loss to the previous year of £1.5m.

Mr Birse said that the construction division had suffered from low margins on contracts and delays in receiving payments on long term projects. He expected this position to improve in the current year.

House sales by the company had risen by 25 per cent last year but the division had suffered from weaker house prices.

● **COMMENT**

The preparedness of banks, led by Midland, to support Birse is good news for its British and German shareholders. The company's survival looks assured provided there are no nasty surprises to upset its recuperation. Birse, however, is unlikely to make a quick return to robust health. Contracting is likely to remain a difficult market while housebuilding – expected to lead the construction recovery – is only a very small part of the company's business. The group also appears under-capitalised for a turnover of more than £300m. Property sales still have to be concluded to reduce debt. Interest charges, however, should be lower this time next year. The group has left itself sufficient leeway, over the timing of when it takes construction profits, to enable it to return to the black this year. Profits, however, should be not much more than £1m to £2m and there are better recovery stocks elsewhere.

# Putting all the potatoes into one frying basket

## Catherine Milton looks at Bensons Crisps' plan to centralise its production

MR SIDNEY Benson was not the kind of man to let the second world war deprive the people of Wigan of their crisps.

When Smiths, virtually the only UK volume crisp maker in the 1940s, slashed production because of a wartime shortage of vegetable oil, the fish and chip shop proprietor used lard to make his own, and Bensons crisps were born.

Today Bensons Crisps is the fourth-largest quoted savoury snack maker in a UK market, worth about £1.4bn. The company, however, has recently launched an ambitious investment programme to try to secure its future.

It is moving the bulk of its production from three factories and a warehouse in Kirkham, Lancashire, to a purpose built plant nearby to increase output and raise efficiency to match that of its much larger competitors.

Bensons believes it will be one of the most efficient snack producers in the country when production begins at the end of this year.

The investment will total about £9.7m, funded by a £5.3m rights issue topped up by lease finance.

The plant will help Bensons, which ceased to be a family-owned business in the late 1970s, to overcome its main problem – lack of size.

It claims a 5 per cent market share compared with the top three crisp makers, which are all multinationals.

Pepsico and United Biscuits are vying for market leadership, and both claim more than 40 per cent. Dalgety comes a clear third with 13 per cent.

Without the efficiency gains from volume production available to its larger rivals, the company's capacity to remain competitive is questionable. With operations split between two factories and a warehouse site in Kirkham and one factory in Newport, Gwent, the question marks over its future had multiplied.

Then also, in the late-1980s, the market began changing rapidly and Bensons did not. Consumers moved away from the company's traditional sales ground of independent retailers selling single packets of crisps and began choosing instead lower margin multipacks sold through supermarkets. The big multiples now account for almost 50 per cent of retail sales.

In 1992 pre-tax profit margins were 1.5 per cent, against 6.9 per cent in 1989. Pre-tax profits dropped to £500,000 from £1m in 1991 while turnover advanced more than a quarter to £33.2m.

Over the past five years Bensons has seen a number of independent operators absorbed by larger competitors. Mr Malcolm Jones, managing director, considered but then abandoned the idea of selling up.

He says: "We knew we would have to do something, and we really had two options: sell up, or invest in a greenfield site. We chose to invest. It is the option that is four times harder, but we think it could be more than four times as rewarding for shareholders and employees."

Bensons has spent more than £5m in the past six years on re-equipping, and will transfer much of that machinery to the new plant.

The total investment, however, is less than three quarters the sum that the Snack Factory, a privately-owned company 40 miles away, has spent on a greenfield plant in Skelmersdale, which it claims is Europe's most efficient snack producer.

Bensons' new 9.8 acre site will allow for improved materials flow and greater capacity. It will replace, for example, an existing 700kg per hour fryer with one that can handle 2,000kg per hour. The fryer will feed automated packaging systems which can respond flexibly to the order flow.

Bensons hopes the greater efficiency will allow it to make cost savings of between 10 and 13 per cent, or roughly £1m a year. The new facility should mean a changed sales mix.

It now sells 40 per cent of its turnover to supermarkets, another 10 per cent of sales are made through van rounds, with the remaining 50 per cent to wholesale cash and carry businesses.

It is negotiating with the big multiples and says it has had encouraging signals about increasing supplies.

When the new plant is in operation Bensons expects 60 per cent of its turnover will go to supermarkets, with 40 per cent sold through the independent sector.

It is a bold strategy, which although based on sound assumptions about how technology can improve efficiency, depends crucially on factors which Bensons, like everyone else in the market, cannot control.

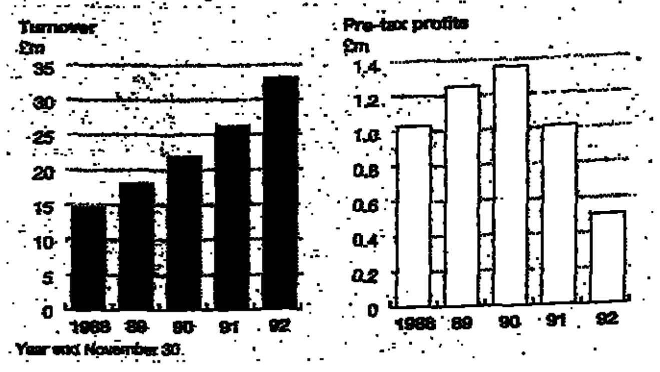
It will remain vulnerable, though, to aggressive pricing by a small number of large competitors and the significant price pressures exerted by the leading multiples.

Bensons argues, however, that its increased competitiveness will mitigate the effect of external pressures.

Mr John Hase, savoury snack specialist with PA Consulting Group, said: "It is a very competitive business and the big players are very serious, particularly Pepsico and United Biscuits, about dominating the market.

With competition like that it will not be an easy job to carve out and maintain an adequate and profitable market share."

**Bensons Crisps**




Year end November 30.

# Snack Factory takes ruthless line with deviants

ONLY 40 miles from Bensons Crisps lies one of its main competitors, which is already exploiting state-of-the art production techniques. The Snack Factory, part of the privately-held Anan Hayle Saeed Group, claims to be the most efficient snack producer in Europe, writes Catherine Milton.

"The management team had all worked in crisps and snacks before, and we strongly believed we could do things more efficiently, given facilities designed with modern technology rather than bolting new machines on to old," said Mr Geoff Marsden, Snack Factory's managing director.

Based in Skelmersdale, Lancashire, the factory flanks the M58 motorway. It cost £21m and started operating in 1990. It is generating pre-tax profits of about £2m on annual turnover of £28m, all from sales to supermarkets.

In 11 minutes it can turn muddy potatoes into crisps with computers enforcing tight specifications at every step.

Not every crisp makes it through the computer checks and tests. The raw materials themselves may be rejected if tests show that more than 2.5 per cent of a load is mud rather than vegetable.

Once in the factory the potatoes are automatically washed in recycled water, cut, and passed through a "Sizer Halver" to standardise crisp dimensions. Starch is recovered from effluent and sold on to other users.

The larger of two cookers can handle 2,500kg of potatoes an hour, responding to temperature and load requirements which change between customer preference and season.

A US-made computer-controlled high speed video optical sorter scrutinises every crisp, "recognises" deviants and then "orders" them blown off the production line.

Moisture and oil content are continually monitored by scanners to prevent soggy-crisp syndrome. Even flavour is checked automatically by a machine which gives instant salt readings to indicate flavour levels.

The crisps are conveyed around the factory on a specially gentle vibrating autofeed system to prevent fractures.

Surviving crisps are fed into Japanese-made Ishida weighing machines, which drop the proper weight of crisps into tubes of plastic packaging. These are then sealed and severed to form the packets of crisps.

Mr Marsden said: "Starting from scratch you have the opportunity to develop your own culture because you are not bringing working practices from other organisations."

# Triplex looks to power for growth

By Paul Cheeseright, Midlands Correspondent

TRIPLEX LLOYD, the industrial engineering group, announced pre-tax profits of £7.08m for the year to last March, a fractional improvement on last time's £7.07m.

Earnings per share were 9.8p, down from 10.9p as the diluting effects of February's 1-for-4 rights issue came into play. As promised then, the final dividend is 4.5p, maintaining the total at 7p.

While engineering turnover declined from £55.4m to £47.6m and operating profits fell sharply from £2.1m to £763,000, the power division's turnover rose from £57.3m to £69.1m and produced operating profits ahead from £4.41m to £5.56m.

As operating profits of the automotive division were scarcely changed at £3.73m, on turnover of £46.8m (£42.8m) it meant that the power division, where investment has been concentrated, was the single most important factor in holding up profits.

"We see immediate growth opportunities for our power division both organically and by acquisition," said Mr Colin Cooke, chairman.

● **COMMENT**

Triplex Lloyd's immediate future is mixed: bright for the power division, not too bad for automotive, although that depends on winning market share, and dull for general engineering and building products. In fact, with so much investment going into power and a large proportion of profits coming from it, the building products business looks more and more uncomfortable in the group. The shares are not a buy for immediate gain, because profits growth from current heavy investment will not show through strongly until 1995-96. Given the mixed prospects, pre-tax profits for this year may not top £8.5m and earnings could slip back to about 9p. That would put the shares on a prospective p/e of more than 19, high enough for any but the most patient.

# Electron House up 58% to £2.25m

Steady growth in all market areas enabled Electron House, the electronic components distributor, to record a 58 per cent increase in profits to £2.25m pre-tax for the year to end-May.

The figure was bolstered by a drop in interest charges to £1.18m (£2.47m) reflecting lower borrowings following the disposal of the computer wholesaling business in August 1992.

The disposal had the effect of reducing year-end gearing on a pro forma basis from 33 per cent to 23 per cent.

Group turnover declined from £125.4m to £89m. However, sales from continuing operations showed an improvement of £15.9m at £78.4m.

Earnings improved to 4.92p (2.62p) per share and a proposed final dividend of 1.55p makes a 2.6p (2.35p) total.

Mr Robert Leigh, chairman, said early indications were encouraging with strong sales and order intake in the first weeks of the current year.

# Maiden profit at ML Labs

By Joan Gray

ML LABORATORIES, the USM-quoted research and development company which has the dialysis drug Icodextrin as its main product, turned in pre-tax profits of £65,000 for the six months to March 31.

The outcome, the company's first profit since its shares were placed at 70p on the Third Market in 1987, compared with a deficit of £447,000.

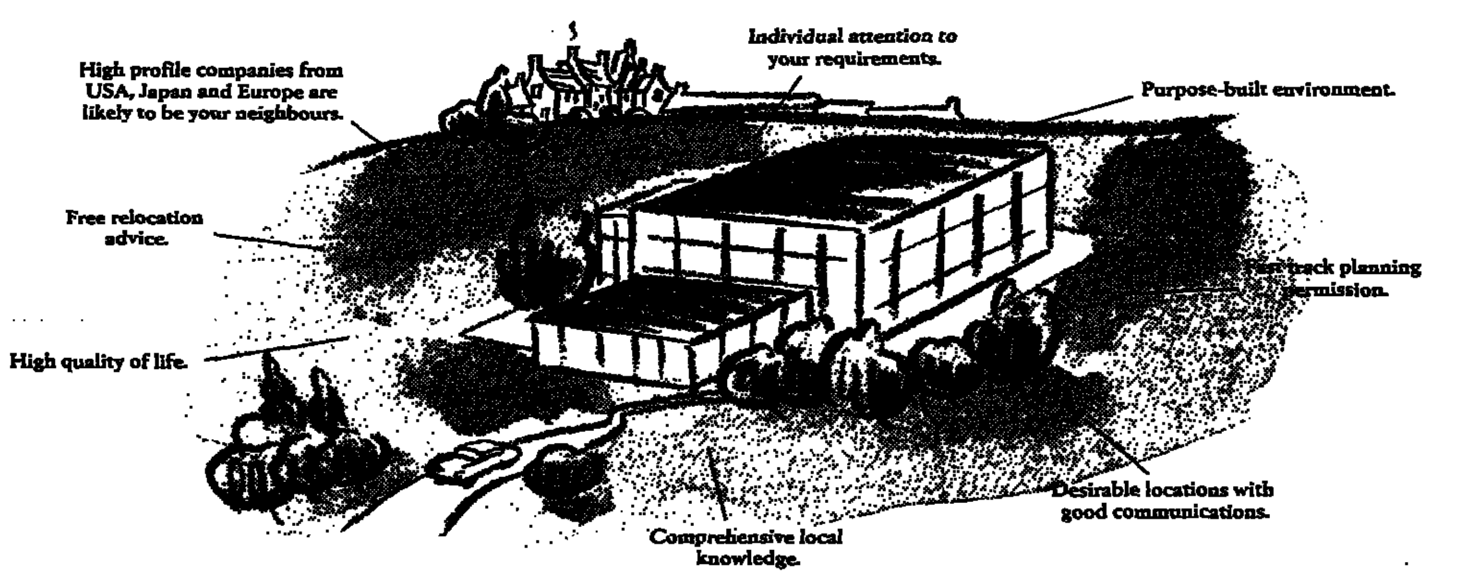
Turnover was up at £467,000 (£312,000) and earnings per share came out at 0.1p against losses of 1.8p.

At the year-end the company had £14.8m on deposit.

Following the announcement that it had won a marketing licence for Icodextrin in January, the shares – which moved to the USM in December 1990 – jumped to their present level of about £11, giving a market capitalisation of more than £300m.

Icodextrin is a drug which can be used in chemical dialysis so that kidney patients do not have to rely on hospital visits to use kidney machines but can change bags of fluid in their own abdomen themselves, at home or at work.

The estimated market for Icodextrin – which makes it possible for patients to go for longer in between fluid changes and has fewer side effects than other drugs – is, according to Mr Stuart Sim, finance director, "conservatively estimated at £487m a year."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In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 13th July 1993 to (but excluding) 13th October 1993 the Notes will carry an interest rate of 6.125 per cent. per annum. The final interest payment and redemption date will be 13th October 1993. The coupon amount per £10,000 Note will be £154.38 payable against surrender of Coupon No: 31.

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LINCOLNSHIRE

# MANAGEMENT

Why have women made it to the top of publishing but so few other professions, asks **Lucy Kellaway**

# Female progress by the book

Gail Rebuck (left) and Frances Coady of Random House are pioneers in the world of publishing

Frances Coady is not Oxbridge educated. With her black leather jacket, mini skirt and scarlet lipstick she does not fit the classic picture of a boss. Yet this 34-year-old has just been given one of the best jobs in British publishing: running the literary imprints of Random House – Jonathan Cape, Chatto and Windus, Vintage and Pimlico.

At the same time, Kate Parkin, also in her early 30s and just back from maternity leave, has been put in charge of the more mass-market publishing names Century and Arrow. Carmen Callil, 20 years older and the industry's *grande dame*, has become grander still as publisher-at-large of the Random House group.

The glass ceiling is lying in shards at the feet of the Random House women. At the centre stands Gail Rebuck, who became chief executive 18 months ago, and is the most powerful of the lot.

"This shouldn't be a great story, but it is," says Coady. When she started in publishing in 1982 as a secretary at Faber & Faber there were only two women close to the top: Callil who founded Virago and went on to manage Chatto, and Liz Calder who was the first woman on the board at Jonathan Cape.

Now both have moved on to greater things (Calder has set up Bloomsbury) while the list of big female names in British publishing has lengthened. Paula Kahn is managing director of Longman. Philippa Harrison runs Little, Brown. Other women have started their own companies: Victoria Barnsley at Fourth Estate and Sarah Mahaffy at Boxwood.

But have women really made it in publishing? And if so is publishing a model for other industries, or is it somehow a special case?

### The glass ceiling is lying in shards at the feet of the Random House women

In sheer bulk, book publishing is dominated by women. They make up more than 60 per cent of the workforce, but only 40 per cent of the managers and 20 per cent of the directors, according to the Hansard Society Commission. That is still much better than in the economy as a whole, where 25 per cent of junior managers and less than 2 per cent of senior ones are women.

Anecdotal evidence suggests that women are increasingly making their presence felt in senior, if not in the most senior, jobs. One London Business School student was surprised to find himself interviewed exclusively by women at each of the four publishing houses to which he had applied for a job.

But according to Kahn, nearly all the big decisions are still being taken by men. "There are a number of very high-profile women managing major editorial departments, but when it comes to women with significant financial and commercial power, there are really only two, Gail Rebuck and myself," she complains.

So two things need explaining: why women do better in publishing than elsewhere, and why their absolute majority at the bottom still translates into a minority at the top. One answer to the first question is that publishing is something women are good at. Calder sees it as an "enabling, servicing job", with editors playing a "shepherding and championing" role.

Rebuck talks about the feminine traits of creativity, the instinct and flair needed in a publisher, but then thinks better of it. "That's all rubbish," she says, deciding that the real reason is the entry policy. Traditionally, a young woman with a degree but no particular training could get a job in publishing as a secretary or assistant. "No one else would employ them."

The pay for these young hopefuls was pitifully low. When Coady, who has degrees from Sussex and Essex Universities, was taken on in 1982 she was offered less than £3,000. "I couldn't believe it. They obviously expected me to have a private income," she says.

She, in common with many others, proved her worth and was rapidly promoted. "Because many of the women had brains and gumption they got on," says Rebuck.

But why haven't they got on still further and in greater number? One reason may have been a lack of ambition, at least on the part of some of the older women. "Women of my generation have not wanted to be the ultimate boss, but younger women don't all feel that way," says Calder.

Another problem, says Rebuck, is that women who have made it as editors may fear – wrongly – the financial responsibility that comes with moving up the mangement ladder. "It's not as hard as it's cracked up to be. I haven't had any formal training with numbers and I don't need one. All you need is a bit of common sense."

Recent changes in the industry may also be in women's favour. Until recently, publishing was a shambolic cottage industry with highly paternalistic ways. According to Kahn, women lost out in this informal environment. "In a small family firm it is only great if you happen to be the daughter," she says.

The bigger companies have given the industry its first taste of formal equal opportunities policies: a decade ago maternity leave – if any – was decided on an *ad hoc* basis. Now companies are vying with each other to offer the best maternity deals. Faber & Faber and Longman have recently agreed to pay towards employees' childcare costs.

The reorganisation has also started a game of musical chairs in senior positions: men who had seemed likely to remain forever in their jobs have moved, and some have been replaced by women.

Just as the balance is shifting towards women at the middle and the top of the industry, the reverse is happening at the bottom. The higher salaries are drawing in more men, who are increasingly prepared to start as secretaries. "The young men don't come with all that baggage any more. They've got mothers who worked," says Rebuck. Both Rebuck and Coady have had male secretaries – something that would raise no eyebrows in the US where some 60 per cent of publishing assistants and secretaries are male.

The experience of the women who have made it in publishing, and of those who work for them, suggests that the sex of the people at the top does make a difference. Coady says that women's attitude to power is less political: "I look at power in relation to what I am doing. Power is desirable to me if it means I can put my ideas about writers and books into work."

Rebuck agrees: "There is that element of Machiavellian charm of men in publishing. They meander around the point, and you walk out of the office and do not realise until later that you have been carved up. Women are more direct."

Women are also said to communicate better. One female employee commented with approval that when Rebuck took over she went round the office talking to everyone. "You wouldn't find a man doing that."

They work harder, says Coady, who admits to being a "complete workaholic". Rebuck, who hurries home every night to see her two children, has had to become an efficient user of time. However, their view from the top is not altogether pleasant. As pioneers, they are constantly subjected to a great deal of attention, not all of it flattering. Carmen Callil is used to reading that she is a nightmare to work for, while Rebuck learnt from the trade press that she got the job by stabbing her predecessor in the back.

Such talk, argues Coady, is heard every time a woman gets into a position of power. "You've always got people trying to explain why you've got the job," she says. Rebuck complains that "women in power are often criticised for being tough. But if they are not tough there is a suggestion that they are not up to the job."

She also finds that many men do not know how to deal with her. "They have run out of stereotypes," she says. She tells the story of a middle-aged male journalist asking her whether she could sense any sexual tension when she chaired board meetings. She rolls her eyes and laughs.

That brave new world is still a fiction in which women are in charge and the men do the typing without either party feeling they are doing anything odd. But if one day it is to become fact, it could well be in books first.

# Bridging the ethical gap

## Values may differ widely from behaviour, writes **Tim Dickson**

There is often a wide gap between companies' professed values and their actual behaviour, or at least the public's perception of it.

That is the main conclusion to be drawn from two separate, but far from contradictory, surveys of senior business executives published this week.

*The importance of being ethical** – by Ashridge Management Research Group and the UK consultancy Integrity Works – concentrates largely on the views of non-executive directors of Britain's leading companies.

All 119 respondents in the report felt business ethics was a significant issue, even if there was little consensus about what the term meant. But while the majority thought it "very important" for business to be viewed as ethical, less than half felt this to be the case in practice. More than a quarter thought that the public views business as "quite unethical".

That said, 54 per cent of respondents consider that company standards are better than they were 10 years ago – 22 per cent said they were worse – and 43 per cent disclosed that their firm operates an ethics code. Thirteen per cent have adopted the practice of "ethics awareness training", while a further 8 per cent carry out an ethics audit.

The findings of the Ashridge research reinforce the view that an organisation's conduct is largely dependent on the stance of its chief executive.

Many of the conclusions, moreover, find an echo in the other study – *Insights into values in business*** carried out by the Helsinki-based consultancy Values into Action and based on responses from 70 senior executives "in Britain, the Nordic countries, Europe and beyond".

Three in five said they conduct their business activities and practices according to a common code of values. But more than three quarters of these believed there was a gap between ethical values and actual behaviour, and one in five said that business necessity overrides such values.

Values into Action adds that a study of more than 400 annual reports highlights the need to clarify use of the word "value". It makes the distinction between "business values", which are situational and relative, and "ethical values", which are universal and absolute. Corporate value codes – which often look more like corporate goals than value statements – should explain how they relate to each other.

Values into Action says managers who want to check their companies' "ethical health" should ask themselves whether the following are true or false:

1. People in the company conduct their business activities and practices according to the same code of values.
2. Because of the current (economic) situation, there is less time to show employees the consideration they deserve as individuals.
3. Survival depends on getting back to basics, cutting costs and reducing overheads.
4. Faced with a choice, business necessity overrides ethical values.
5. Sometimes there is a gap between ethical values and the way in which the company and/or people in it behave.
6. Management trusts employees *and* employees trust management.
7. Sometimes there is a discrepancy between what executives preach and what they expect their colleagues and employees to practice.
8. People willingly and genuinely want to put the values of the company into practice.
9. We accept *and* honour our responsibilities towards other "stakeholders" (those who are taken into account when business decisions are being made, or who are affected by the outcome of business decisions) as well as customers, shareholders and employees.
10. Frank, fearless and critical dialogue both upwards and downwards in the company is actively encouraged and practised.

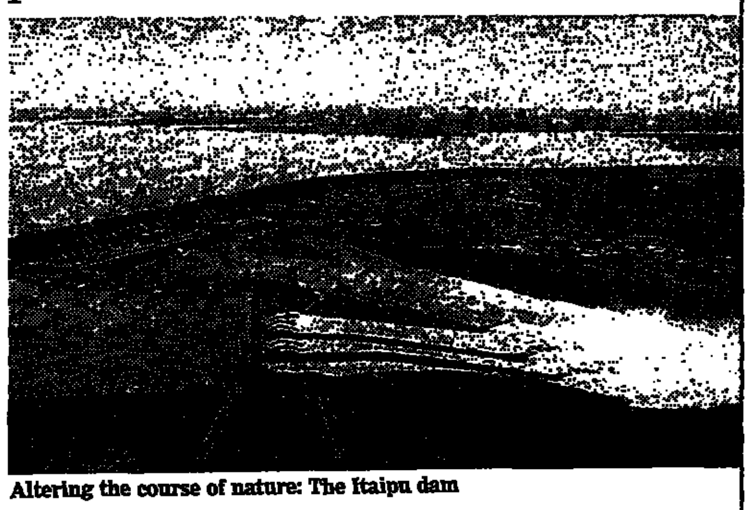
* *Price £40, available from Terrylynn Knott, Ashridge Management College, Berkhampstead.*

** *Price £15. Requests for copies should be faxed to (358) 0 388 1981*

# BUSINESS AND THE ENVIRONMENT

# Battle for the heartland of South America

## **John Barham** on plans to create a 3,400km waterway



Altering the course of nature: The Itaipu dam

The rivers of South America have been largely untravelled since they were used by conquistadores, explorers and traders to settle the continent's heartland. Now, once again, the peace may be about to be disrupted.

Plans are under way to transform the Paraguay and Parana rivers into a 3,400km waterway that would link the often impoverished interior with seaports at the River Plate estuary. The waterway would be quick, easy and cheap to create.

The governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay, whose territory the rivers flow through, are seeking international finance to set up the waterway, known as the Hidrovia. It could become one of the region's biggest development projects since the construction of the Itaipu dam in the 1980s.

Predictably, the project has met with hostility from environmentalists. Argentine and US scientists said in a recently published study that the Hidrovia could threaten the environment. They also doubted its economic viability. The report, produced by Wetlands for the Americas, a conservation group, and supported by the prestigious Woods Hole Research Institute in the US, warns of water pollution from spills of oil and chemical cargoes.

River life, wildlife and the surrounding land would be affected by the increased river traffic and the civil engineering projects required to make the rivers navigable.

The main threat, says the report, is to Brazil's vast Pantanal marshland. The 200,000 sq km Pantanal not only supports a rich diversity of wildlife, but acts as a gigantic sponge, regulating water levels in the Paraguay river. Damaging the Pantanal's sponge function "may result in an overlap of the peak flooding period in both the Parana and Paraguay rivers, which can increase the risk of both catastrophic rises and extreme lows in water level along the middle and lower Parana River".

Changes in the region's hydrology would exacerbate alterations already caused by the large Itaipu dam and add to potential impacts caused by other dams under construction on the Paraguay and Parana Rivers.

The Hidrovia could also cause further problems. "It is very likely that the greatest environmental impacts caused by the Hidrovia will be indirect, given the rapid development process that may follow the starting of the operations in the waterway," the report says.

Better transport would inevitably increase human occupation and bring environmental disruption. This could also lead to an expansion of diseases such as malaria, dengue and yellow fever and the spread of water-borne diseases.

The Hidrovia would help bring vast new areas of land under cultivation in the heart of the continent, replacing native vegetation. This could increase soil erosion and the silting of rivers. Increased use of agrochemicals would damage river life. Industrial mining and gold wildcatting, which already threaten the Pantanal, could also increase.

The authors attack as superficial a previous economic feasibility study carried out by Brazilian consultants which estimated the Hidrovia's rate of return at 16-23 per cent. This report has been used by governments to support the Hidrovia's viability. But Wetlands for the Americas claims that the benefits are overstated and environmental costs are not taken into consideration.

Without attempting a detailed estimate of these costs, the Wetlands report says the economic benefits are probably significantly less than claimed and could even be negative.

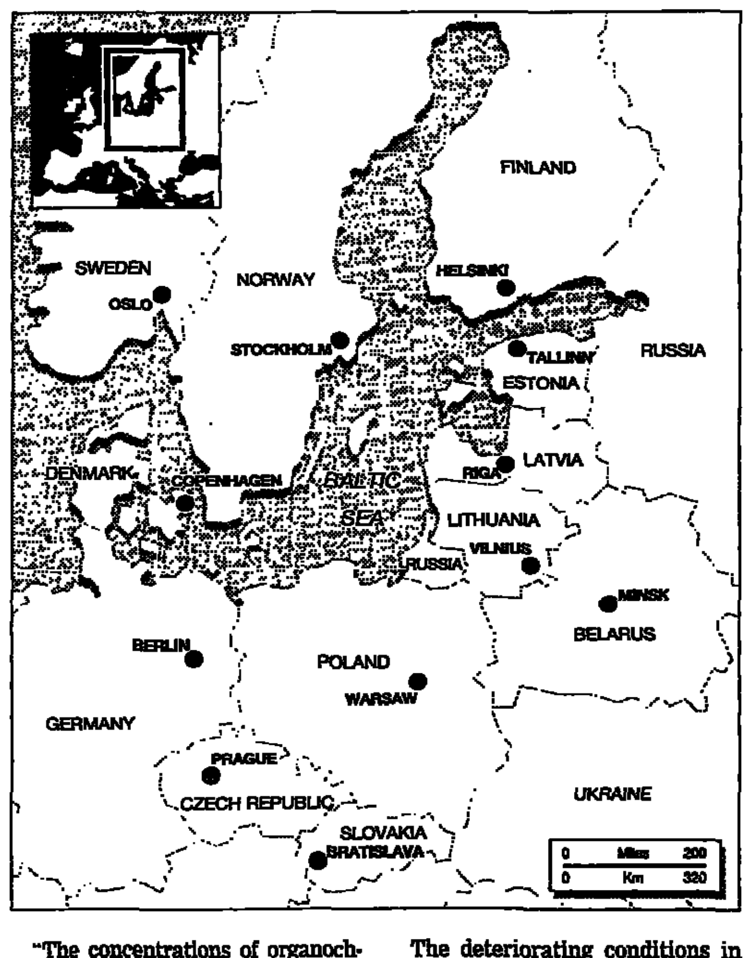
However, Jesus Gonzalez, the Argentine government official on the Hidrovia's executive committee, recently promised a full-scale environmental impact study, and said the project would be shelved if the potential damage were too high. This is in keeping with greater government sensitivity to the environment throughout the region. Governments are under pressure from industrial countries, lending agencies and to some extent their own populations to protect the environment. The Inter-American Development Bank is financing environmental consultants to carry out impact studies.

However, experience in Latin America has shown that government assurances to safeguard the environment must be treated with scepticism.

The Wetlands' report is only an opening shot in a battle between environmentalists and a powerful development lobby of farmers, international lending agencies, big business and governments that is likely to become increasingly bitter.

Plans to clean up the heavily polluted Baltic Sea have stumbled over funding, writes **Joe Kirwin**

# Muddy waters




The Baltic Sea is one of the most polluted in the world, but the problem of how to clean it up and who should foot the bill has plunged politicians, bankers, and environmentalists into a lengthy controversy.

This has festered even though the Baltic coastal nations – including Sweden, Denmark, Russia, Finland, Germany, and Poland – agreed more than a year ago on an $18m (£12m) plan to restore the health of the world's largest body of brackish water. The arguments have centred mainly on the lending terms of development banks and the long-term benefits of the plan.

The debate came to a head at a recent conference in the Polish port city of Gdansk where more than 100 designated environmental "hot-spots" in the region were pinpointed. In what was billed as a "resource mobilisation" meeting, it proved to be another ministerial session where leaders from eastern Europe looked for help and western European ministers pleaded poverty.

However, Denmark did pledge $5m this year and an overall increase in Danish foreign development assistance in the next decade.

Svend Auken, Danish environment minister, took issue with the European Bank for Development and Reconstruction and the Nordic Investment Bank. His criticism amplified the frustrations eastern European leaders have expressed for several years.

Since then, the EBRD has been castigated for spending heavily on itself and being too slow to lend on new projects.

"We all had great expectations as to what the banks could offer, especially the European development banks," says Auken. "I must say I am not impressed with the willingness and capability of the international banks.

"Nothing will happen if the loans are only provided on market terms – that is with western guarantees and market-level interest rates and high consultants' fees to the banks.

"The banks will have to provide soft loans for this programme," Auken adds. "Only by doing so can they help to increase investments in environmental improvements. A sewerage treatment plant is obviously not going to make the same immediate return as a cement producing plant. So loans need to be adjusted accordingly."

The need to improve water quality in the Baltic Sea has become ever more urgent. With more than 80m people in its catchment area, it is continually flooded with dangerous concentrations of not only the typical sewerage effluents of nitrogen and phosphorous, but also more toxic substances such as PCBs, DDT, chlorine, mercury, lead, cadmium and others.

"The concentrations of organochlorine residues in fish in the Baltic proper are three to 10 times higher than in those from the North Sea," scientists stated in a report released when the updated Baltic Sea convention was signed two years ago in Sweden. "More than 100,000 sq km are totally dead."

Another source of pollution comes from chemical weapons dumped after the second world war. The casings for these weapons have rusted at the bottom of the sea and mustard gases and other chemicals are a particular problem in various parts of the Baltic.

The deteriorating conditions in the Baltic are aggravated by geography and an unusual marine ecology. The inflow of seawater from the North Sea past the Danish and Swedish coasts is very limited and ice covers much of the Baltic in winter. Thus its ability to clean itself is much more limited compared with the North Sea or the oceans.

Concentrated efforts by the Nordic nations such as Sweden, Finland and Denmark have been made to clean up the Baltic. One example is provided by Modern Swedish paper and pulp mills which have drastically reduced chlorine emissions. Water quality in many of the Scandinavian coastal cities has improved to the point where fish have returned and swimming is possible for the first time in decades.

But local progress has been offset by pollution emissions not only from Russia, Poland, the Baltic nations and the former East Germany, but also by increased agricultural runoff from Denmark, Finland and southern Sweden.

The financial problems associated with the clean-up are not the only controversy that has erupted over the action plan. Environmental groups such as the Coalition for a Clean Baltic and Greenpeace have criticised it for its emphasis on end-of-pipe solutions such as sewerage treatment plants.

"There must be much more of an emphasis on clean technology so as to control diffuse sources of pollution like agricultural runoff," says Jesper Grolin, a Greenpeace representative who has worked closely with Baltic Sea issues.

The environmental groups have also criticised the financial problems of implementing the plan. "Even if governments from Scandinavia and Germany and the others do not pledge the money now, they should at least commit themselves to finding it," Grolin says.

With aid loan money in short supply, several eastern European nations have attempted to help themselves. Poland has started a Bank for Environmental Protection, which has assets of more than $3bn raised from pollution licence fees charged to industry and other pollution sources. Slovakia, which also drains into the Baltic Sea basin, is expected to set up a similar bank.

Poland and Slovakia have moved much further than Russia and the former Soviet satellite nations in establishing local government bodies.

"This is essential if international institutions are going to put forward loan money for a project such as a municipal sewerage treatment plant," says Piotr Krzyzanowski, a Polish government representative working with the Baltic Sea convention.

"This is true whether it be for a soft loan or on market terms."

George Toregas, an economist with the EBRD, says it will take more than the establishment of local governments to allow loans for environment projects.

"If governments such as that of Denmark and others want us to make loans on soft terms, they have to change regulations established when the bank was set up.

"Governments run the boards of the bank and these were the rules we were given. So it is hardly fair to blame us for not allowing soft loans to eastern European nations."

## COMMODITIES AND AGRICULTURE

# Fears of frost in Brazil push coffee up to $1,000

By Deborah Hargreaves

COFFEE PRICES surged ahead in London yesterday as buyers rushed to the market in fear that Brazil's crop would be affected by frosts this week. London's September futures contract rose by $48 to touch a peak of $1,016 a tonne. But it later dropped to close at $1,000 as the New York market became very volatile.

One private weather forecaster has estimated that there is a 50 per cent chance of frost in Brazil's Parana coffee-growing areas late today or early tomorrow. Other forecasters are more sceptical and put the chances of frost at 20 per cent or 30 per cent.

Nevertheless, coffee traders *remember the devastating* frosts of 1975 that almost wiped out the Brazilian coffee crop and led to a boom in prices. For that reason any hint of frost is enough to push prices higher.

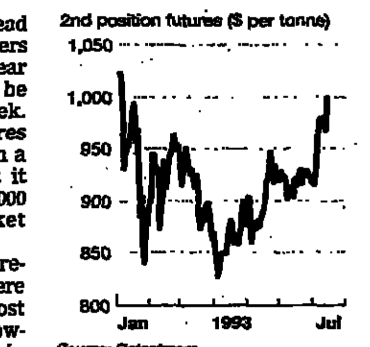
Since 1975 Brazil has concentrated its plantings further north in regions less susceptible to frost. In the south, Parana now accounts for only 10 per cent of the country's crop; it was once the main coffee-growing state. Brazil's share of the world coffee crop has also declined so the impact of a frost on world prices could be less dramatic than in the past.

Coffee prices have been depressed by high stocks in consuming countries such as the US and Europe. Last week the price was boosted by meetings between producers over a retention scheme and the threat of a frost in Brazil last weekend.

If the frosts fail to materialise, prices could drop swiftly, one analyst suggested.

**Coffee**

2nd position futures ($ per tonne)




Source: Datastream

● Exporters in Cameroon estimate that the country's 1992-93 robusta coffee production will be just over *half last season's* level at about 45,000 tonnes, Reuter reports from Yaounde.

*The Douala-based Conseil* Interprofessionel du Cafe et du Cacao said 1991-92 production was 85,409 tonnes. That figure was less than the ministry of industry and commerce's estimate of 97,835 tonnes, but local industry officials said the ministry figure was subject to manipulation by exporters.

The CICC's executive secretary, Enouga Ntsimi, said all the 1991-92 crop had now been *sold and forecast 1993-94 output* at about 70,000 tonnes.

Cameroon cut the producer price for robusta coffee by a third at the start of this season after the government had to subsidise 1991-92 production with 8.2bn CFA francs (£19m) in payments.

Mr Ntsimi said most of the fall was normal, reflecting cyclical variation of yields from the coffee trees. But he estimated that 20 per cent was a result of farmers cutting down their trees.

# Speculators spark $77 fall in copper price

By Kenneth Gooding, Mining Correspondent

COPPER'S PRICE collapsed yesterday *as commodity* funds pulled out of the market and speculative selling sent the metal down to $1,861 a tonne in after-hours dealing.

Since early May copper has gained about $300 a tonne and touched $2,020, a three-month peak, on Friday. Then in the first two trading days this week *it lost half* about *half* those gains, dropping by $46 a tonne on Monday and another *$77 yesterday.*

The collapse, like the rise, was caused by technical factors but it was *so spectacular* that it undermined sentiment in other metals markets. Aluminium and nickel prices were particularly badly affected.

Mr Wiktor Bielski, analyst at Bain & Company, part of *the Deutsche Bank group,* pointed out that copper's collapse originated late on Friday on the New York Commodity Exchange when there was a huge volume of selling.

The market was surprised by a rise in the London Metal Exchange's copper stocks on Friday, when a reduction was expected. There was another rise reported yesterday, taking the total up by 11,000 tonnes to a fresh 15-year peak of 458,000 tonnes.

Nevertheless, Mr Bielski argued that, while copper's prospects were poor for the next few months and the price might fall back below 80 cents a pound ($1763 a tonne), present bearish sentiment was probably overdone. For example, total copper stocks represented only 6½-7 weeks' consumption whereas in the previous recession they reached the 14-weeks level.

Other analysts have been revising copper price forecasts they made in January and now predict much lower levels. Smith New Court, which predicted then that copper would average *110 cents a pound in* 1993, now suggests 90 cents is more likely. Warburg is also *predicting a 90-cents average,* down from a January forecast of 105 cents, and Ord Minnett *has reduced its forecast from* 102 cents to 90 cents. Billiton-Enthoven Metals predicts a 90-*cents average for 1993 but that* was its January forecast.

**LME WAREHOUSE STOCKS**
(As at Monday's close)
tonnes

| | | |
|---|---|---|
| Aluminium | +14,625 | to 1,318,350 |
| Copper | +3,500 | to 458,000 |
| Lead | +875 | to 282,250 |
| Nickel | +2,586 | to 93,390 |
| Zinc | +1,025 | to 702,750 |
| Tin | +25 | to 20,440 |

# Indices offer confusing inflation clues

By Laurie Morse

BOND TRADERS who use commodity prices to predict inflation-rate changes have had to pick their indicators carefully this year. Industrial commodity prices have for the *most part fallen, while futures* prices for consumer goods such as cereals, gold and softs have tended to rise.

At the same time, US government indices that measure price movements have exhibited a curious tendency to follow seasonal variations – a trend belies the Bureau of Labour Statistics' practice of adjusting prices for seasonal factors.

If, as forecast, the BLS reports today that consumer prices were flat in June, it will bring the consumer price index (CPI) back to a year-over-year rate close to 3 per cent – little changed from last year.

That is good news for businesses and the US Federal Reserve Board, which aim for price stability. However, it is a puzzle to fixed-income traders who shorted bonds when inflation took an alarming swing upwards in the first quarter.

Mr John Lipsky, chief economist for Salomon Brothers, says CPI data have risen in the first four months of every year since 1989, without consistently following through for the rest of the year.

The June CPI, if it comes in on forecast, will *smooth the* first quarter's seasonal changes. "For now, outlook for *energy prices is good,* demand is not too strong, and the dollar is helpings us out overseas. That gives a pretty steady outlook for inflation," Mr Lipsky said.

The calm inflation forecast seems to be borne out by commodity prices. While the Commodity Research Bureau's closely watched index of futures prices reached 20-month highs last week, it did so on the *strength of soyabean* and precious metals prices.

Those commodities carry very little weight in either the CPI or the producer price index. A better indicator of price inflation is the CRB's index of spot industrial commodities, heavily weighted towards scrap metals and materials like rubber and tin.

That index, in contrast to the futures index, *is near* its lowest levels of the year. A third, the Goldman Sachs commodity index, *is in a similar position.*

The two indices are moving in parallel because industrial metals and energy prices have been locked together this year. Economists say it will take an upward turn in the broader indexes to predict a shift in inflation expectations.

# Jordan cultivates phosphates exports

## James Whittington on the industry's moves into wider markets

DESPITE a depression in the world market for phosphates and potash, Jordan is proving to be a remarkably resilient exporter.

Jordan Phosphate Mines Company, which is majority-owned by the state, last year captured 15.3 per cent of world phosphate exports, making it the number two exporter of phosphate rock, behind Morocco and overtaking the *US. Potash sales in 1992 were* up to 3.24 per cent of total world exports. Furthermore, *Jordan's mining sector is rap*idly changing to meet the demands of the market and it seems set to become a big producer of complex fertilisers and chemicals by the end of the century.

JPMC's phosphate exports fell from 6.4m tonnes in 1989 to 4.2m tonnes in 1991 – in line with a 37.7 per cent drop in world exports of phosphate rock in 1989-92 and the collapse of the company's traditional eastern European markets. The company's exports picked up slightly to 4.3m tonnes last year, and results from the first half of this year suggest that a similar figure is likely for 1993.

The lower exports – in addition to falling international prices and severe government taxes recently implemented under Jordan's economic restructuring programme – have slashed the JPMC's net profits almost seven-fold over the past four years. Last year the company registered a net profit of only 16.1m Jordanian dinars ($22.8m) compared with JD33.1m in 1991 and JD109m in 1989.

However, JPMC's general manager, Mr Thabet Taher, brushes aside any talk of doom and gloom. With a gradual *shift of trade towards the rap*idly expanding Asian markets, and two major joint ventures *for the production of phos*phate-based fertilisers and phosphoric acid already signed *with Indian and Japanese com*panies, he is optimistic about the future.

Contracts with India have partly replaced the loss of eastern European markets. Despite distortions in India's demand for fertiliser, caused by the government's recent abolition of price controls, Jordan shipped 1.3m tonnes of phosphate to India last year – making it JPMC's biggest client. In 1991, a $150m joint venture was signed with India's Southern Petrochemicals Corporation to produce an annual 200,000 tonnes of phosphoric acid for the Indian market. A new processing plant with 60 per cent Indian and 40 per cent Jordanian equity is due to begin operations in 1995 and, according to Mr Taher, Indian demand may be increased to *400,000 tonnes.*

A similar deal was signed last year with a Mitsubishi-led consortium of four Japanese companies that will take a 60 per cent share in a $360m compound fertiliser plant. JPMC and Arab Potash Company (APC), Jordan's other main exporter, will each have a 20 per cent holding. *Under the agreement,* a new plant, due to open in 1995, will produce *300,000 tonnes of compound fer*tiliser for Japan, which is about 10 per cent of the country's entire consumption.

JPMC is negotiating with trading partners in Pakistan to establish another joint venture that will produce material for the Pakistani market.

Meanwhile, APC is also following strategies of product diversification and expansion as a means of securing its future. The company, which has a phosphate plant on the Dead Sea, is 58 per cent owned by the Jordan government and 42 per cent by foreign Arab investors. It has maintained annual exports of potash of between 1.3 and 1.4m tonnes over the past five years.

Unlike JPMC, APC exports have been relatively unaffected by the political upheavals of eastern Europe and the former Soviet Union as most of its trade is with Asian countries. *Last year it exported a total of* 1.35m tonnes of phosphate, 87 per cent of which went to Asian markets.

But APC has seen its profits fall. Despite a 12 per cent drop in exports between 1991 and 1992, net *profits* fell from JD38m to JD28m, mainly because of an increase in *government levies.*

APC's plans include a two-phase expansion programme, *already under way* at its Dead Sea site, which will increase potash production capacity to 1.8m tonnes by 1994 and 2.2m tonnes by the year 2000. George Wimpey International is the contractor. In addition, a $600m Dead Sea chemicals complex is due to begin operations in 1995. It will produce bromine derivatives, magnesium oxide and potassium-based fertilisers.

APC's managing director, Mr Ali Yousef Ensour, explains that loans of $31m from the World Bank and the *Jeddah*-based Islamic Bank for Development have so far been agreed upon. Additional funding is expected to be raised by APC and foreign investors. Two US companies, *Ethyl Cor*poration and Great Lakes Chemicals, are assisting with the tech*nical side of the* plans.

With the abundance of raw materials and the unique saline composition of the Dead Sea, Mr Ensour says he is con*fident the complex will put Jor*dan on the map as a highly competitive chemical producer *in addition to its phosphate* and potash exports.

# Bangladesh jute estimate cut

*By Kunal Bose in Calcutta*

BANGLADESH'S 1993-94 jute *crop is expected to fall short of* an earlier estimate of 4.5m bales (180kg each), which was *itself* 500,000 bales below 1992-93 output.

The smaller crop is mainly the result of the diversion of land from jute to rice, which gives a better return to the farmers. According to Bangladesh trade officials, more than 10 per cent of the 525,000 hectares under jute last year has been diverted to rice.

However, the use of certified Indian seeds on a large scale and adequate retting (softening) facilities will ensure that a high percentage of quality fibre is produced.

At least 75 per cent of the crop will be tossa jute, a vari*ety that is increasingly* favoured by jute mills both inside and outside the country. *The balance will be white* jute.

The average annual requirement of raw jute in Bangladesh is 4.8m bales, including 2.9m bales for consumption by mills, 1.5m bales for export and 400,000 bales for village use. The shortfall will be taken care of by this season's comfortable opening stocks at the start of this month of more than 1m bales.

The 1994-95 jute season will, however, open with low stocks. Trade officials think a fairly large volume of jute from Bangladesh will find its way into India through unauthorised channels because prices of the commodity are 25-40 per cent higher in India, depending on grade.

As in the past, the export-orientated jute mills in India will *import some high quality raw* jute from Bangladesh, and India is expected to harvest a lower crop of 6.5m bales in the current season.

The low prices of jute in Bangladesh have been attributed to the government's decision to end price support. The new season crop has only just started coming on to the market in small lots but prices are already depressed.

The principal importers of jute from Bangladesh are Pakistan, Russia and some European and African countries. Thailand, itself a producer of the fibre, also buys from Bangladesh. Jute and jute goods are Bangladesh's main foreign exchange earners.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 1,540-1,590 *(1,540-1,580).*

**BISMUTH:** European free market, min. 99.99 per cent, $ *per lb, tonne lots in ware*house, 2.25-2.50 (same).

**CADMIUM:** European free *market, min. 99.5 per cent, $* per lb, in warehouse, 0.44-0.50.

**COBALT:** MB free market, 99.8 per cent, $ per lb, in warehouse, *12.50-13.30 (12.30-13.35);* 99.3 per cent, $ per lb, in warehouse, 9.80-10.50 (9.50-10.30).

***MERCURY:** European free* market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, *115-130 (115-135).*

**MOLYBDENUM:** European free market, drummed molyb*dic oxide, $ per lb Mo, in ware*house, 2.25-2.30 (same).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

**TUNGSTEN ORE:** European free market, standard min. 65 *per cent, $ per tonne unit (10* kg) $WO_3$, cif, 27-39 (same).

**VANADIUM:** European free *market, min.* 98 per cent, $ a lb $V_2O_5$, cif, 1.30-1.40 (same).

**URANIUM:** Nuexco exchange value, $ *per lb,* $U_3O_8$, 7.00 (same).

# French farmers expected to break seed limit

FRENCH FARMERS are likely to have exceeded their grain, *oilseed and proteinseed area* limit and be forced to set aside an even larger portion of their *land next season, Reuter* reports from Paris.

"We're probably heading *towards an excess, although* it's difficult to know for sure," an agriculture ministry official said.

*Definitive figures are expec*ted in early August when farmers' applications for European *Community direct aid* payments are registered. According to ministry projections, *France is likely to have* exceeded by 322,000-483,000 hectares its 1989-91 reference area of 13.522m hectares, which was set *as a limit under the* EC's new farm system.

EC members decided last *May to shift the focus of their* Common Agricultural Policy from price support to direct aid *to farmers in an effort to* cut their huge surpluses of food.

The grain, oilseed and pro*tein-seed excess is likely to be* made even worse next season as more farmers choose to join *the scheme.*

Only 539,000 farmers sent their applications for direct aid *instead of the 745,000 expected,* an official said.

## WORLD COMMODITIES PRICES

### MARKET REPORT

The collapse in the copper market (see story above) *undermined* sentiment in the other London Metal Exchange contracts to varying degrees. The next biggest loser was **ALUMINIUM**, which added $31.25 to Monday's $27 fall to close at $1,186.25 a tonne in the three months position. Traders attributed the fall to nervous liquidation, which gained momentum after support at $1,200 was broken. **ZINC** reversed the recent uptrend with three months metal closing $9.75 down at $965.50 a tonne and **NICKEL**'s continuing decline was exacerbated by news of a fresh increase in LME warehouse stocks. The **GOLD** *market began with a test of support* at $390 a troy ounce following an overnight wave of selling by Japanese trade houses. But the subsequent recovery to $393.75 an ounce, down 30 cents on the day, at the London bullion market close showed that there was "good physical demand on the dips", said one dealer. "Investors are happy to take profits at about three to four dollars above the market, while shorts are covering at around $390 and there are plenty of stops [stop-loss orders] just below that," he added.

**Compiled from Reuters**

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB)(Aug) | | + or - |
|---|---|---|
| Dubai | $14.64-4.67 | +0.05 |
| Brent Blend (dated) | $16.95-7.00 | +.175 |
| Brent Blend (Aug) | $17.00-7.05 | +.155 |
| W.T.I (1 pm est) | $18.20-8.25 | +.175 |
| **Oil products** (NWE prompt delivery per tonne CIF | | + or - |
| Premium Gasoline | $198-199 | +0.5 |
| Gas Oil | $162-163 | +2 |
| Heavy Fuel Oil | $60-62 | |
| Naphtha | $168-169 | -1.5 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $393.75 | -0.3 |
| Silver (per troy oz)♣ | 500.5 | -6 |
| Platinum (per troy oz) | $402.25 | -3.25 |
| Palladium (per troy oz) | $136.75 | -2 |
| Copper (US Producer) | 90.0c | -1 |
| Lead (US Producer) | 34.63c | |
| Tin (Kuala Lumpur market) | 12.60m | -0.04 |
| Tin (New York) | 233.5c | |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 135.95p | -2.72* |
| Sheep (live weight)†♠ | 99.38 p | -1.15* |
| Pigs (live weight)† | 81.78p | -1.73* |
| London daily sugar (raw) | $256.5 | -10.2 |
| London daily sugar (white) | $264.0 | -10 |
| Tate and Lyle export price | £284.0 | -8 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | Unq | |
| Wheat (US Dark Northern) | £147.0u | |
| Rubber (Aug)▼ | 59.00p | |
| Rubber (Sep)▼ | 59.50p | |
| Rubber (KL RSS No 1 Jul) | 208.5m | |
| Coconut oil (Philippines)§ | $465.0v | |
| Palm Oil (Malaysian)§ | $372.5t | -5 |
| Copra (Philippines)§ | 292.5 | |
| Soyabeans (US) | £189.0y | -3 |
| Cotton "A" Index | 58.50c | +0.4 |
| Wooltops (64s Super) | 352p | |

*£ a tonne unless otherwise stated. p-pence/kg. c cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Sep/Oct u-Jul t-Oct/Dec x-Aug/Oct ▼London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * Change from a week ago, provisional prices.*

**SUGAR – LCE** ($ per tonne)

| White | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 258.50 | 263.00 | 263.00 | 258.00 |
| Oct | 259.00 | 259.50 | 262.50 | 258.60 |
| Dec | 260.00 | 263.00 | 261.00 | 260.00 |
| Mar | 262.50 | 264.30 | 263.50 | 261.00 |
| May | 266.00 | 267.30 | 266.00 | 263.50 |

White 1377 (3164) Paris- White (FFr per tonne): Aug 1515.82 Oct 1535.46

**CRUDE OIL – IPE** $/barrel

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 17.01 | 16.89 | 17.10 | 16.92 |
| Sep | 17.14 | 17.03 | 17.23 | 17.06 |
| Oct | 17.30 | 17.24 | 17.40 | 17.23 |
| Nov | 17.51 | 17.40 | 17.51 | 17.42 |
| Dec | 17.70 | 17.61 | 17.71 | 17.60 |
| Jan | 17.85 | 17.76 | 17.85 | 17.84 |
| Feb | 17.88 | 17.89 | 17.86 | |
| Mar | 18.00 | 18.00 | 18.00 | |
| Apr | 18.04 | 18.04 | 18.04 | |
| IPE Index | 16.86 | 16.82 | 16.86 | |

Turnover 60000 (37117)

**GAS OIL – IPE** $/tonne

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 162.00 | 160.00 | 162.25 | 160.50 |
| Sep | 162.75 | 161.00 | 163.00 | 161.75 |
| Oct | 165.25 | 163.75 | 165.75 | 164.50 |
| Nov | 167.25 | 166.50 | 167.75 | 166.75 |
| Dec | 169.25 | 168.75 | 169.75 | 168.75 |
| Jan | 170.75 | 170.00 | 171.00 | 170.00 |
| Feb | 170.75 | 169.75 | 170.75 | |

Turnover 9556 (15606) lots of 100 tonnes

**JUTE**
C and F Dundee; BTC US$315, BWC US$325, BTD US$295, BWD US$300. C and F Antwerp; BTC US$305, BWC US$305, BTD US$280, BWD US$280.

**COTTON**
LIVERPOOL- No spot or shipment sales were recorded for the week ended 9 July, against 262 tonnes in the previous week. Activity was *severly restrained and business was on narrow* lines. Cost of raw cotton deterred users from increasing their purchases.

**COCOA – LCE** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 734 | 743 | 749 | 736 |
| Sep | 748 | 755 | 758 | 743 |
| Dec | 755 | 761 | 764 | 750 |
| Mar | 769 | 773 | 778 | 764 |
| May | 779 | 783 | 788 | 775 |
| Jul | 788 | 791 | 798 | 788 |
| Sep | 799 | 801 | 798 | 798 |
| Dec | 812 | 814 | 812 | 812 |
| Mar | 826 | 832 | 837 | 830 |
| May | 837 | | 838 | |

Turnover: 4707 (4862) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 12 783.85 (769.54) 10 day average for Jul 13 748.72 (743.64)

**COFFEE – LCE** $/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 972 | 936 | 980 | 960 |
| Sep | 1000 | 959 | 1016 | 975 |
| Nov | 1009 | 973 | 1018 | 990 |
| Jan | 1007 | 974 | 1016 | 993 |
| Mar | 1006 | 971 | 1010 | 1006 |
| Jul | 996 | | 1000 | |

Turnover: 4756 (1585) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 9 Comp. daily 59.21 (59.88) 15 day average 56.62 (56.38)

**POTATOES – LCE** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 93.3 | 103.5 | 93.8 | 93.0 |

*Turnover 23 (2) lots of 20 tonnes.*

**SOYAMEAL – LCE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Aug | 174.8 | - | |

Turnover 0 (0) lots of 20 tonnes.

**FREIGHT – LCE** $10/index point

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 1300 | 1280 | 1305 | 1285 |
| Aug | 1300 | 1273 | 1300 | 1280 |
| Sep | 1303 | 1285 | 1295 | 1295 |
| Jan | 1395 | | 1395 | 1385 |
| BFI | 1371 | 1378 | 1371 | |

Turnover 77 (22)

**GRAINS – LCE** £/tonne

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 106.85 | | 107.25 | |
| Nov | 108.55 | 109.00 | 108.90 | 108.40 |
| Jan | 110.85 | 111.30 | 111.30 | 110.75 |
| Mar | 113.05 | 113.60 | 113.35 | 113.00 |
| May | 115.25 | 115.85 | 115.60 | 115.20 |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Sep | 103.40 | | 103.90 | 103.50 |
| Nov | 106.00 | 106.95 | 106.00 | |
| Jan | 108.45 | 109.35 | 109.00 | 108.50 |

Turnover: Wheat 328 (141), Barley 53 (18).
Turnover lots of 100 Tonnes.

**PIGS – LCE** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Aug | 103.3 | 104.0 | 103.0 |

Turnover:5 (12)lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 42,728 lots |
| Cash | 1161.5-62.5 | 1193-94 | | 1176-78 | | |
| 3 months | 1186-86.5 | 1217-18 | 1215/1183 | 1200-01 | 1184-85 | 235,918 lots |
| **Copper, Grade A ($ per tonne)** | | | | | | Total daily turnover 86,379 lots |
| Cash | 1868-70 | 1928-27 | 1897/1894 | 1895.5-96 | 1860-62 | |
| 3 months | 1878-79 | 1937-38 | 1923/1861 | 1905-05.5 | 1881-82 | 242,890 lots |
| **Lead ($ per tonne)** | | | | | | Total daily turnover 4,114 lots |
| Cash | 387-88 | 386-87 | | 388-88.5 | | |
| 3 months | 401-02 | 400-401 | 406/398 | 401-01.5 | 397-99 | 24,158 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 9,557 lots |
| Cash | 5050-55 | 5095-105 | 5050 | 5045-50 | | |
| 3 months | 5105-10 | 5150-55 | 5150/5105 | 5110-11 | 5110-15 | 48,987 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,938 lots |
| Cash | 5005-10 | 5050-55 | | 5020-25 | | |
| 3 months | 5055-60 | 5100-05 | 5060/5020 | 5060-62 | 5055-60 | 10,784 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 19,853 lots |
| Cash | 949-51 | 957-59 | 953 | 953-54 | | |
| 3 months | 965-66 | 975-75.5 | 973/960 | 971-71.5 | 981-83 | 74,812 lots |

LME Closing £/$ rate:
SPOT: 1.4940 — 3 months: 1.4841 — 6 months: 1.4762 — 9 months: 1.4700

Copper and lead prices are now expressed in dollars per tonne

**LONDON BULLION MARKET**
(Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 393.50-394.00 | |
| Opening | 390.00-390.40 | |
| Morning fix | 390.40 | 263.428 |
| Afternoon fix | 392.45 | 263.071 |
| Day's high | 394.00-394.50 | |
| Day's low | 388.50-389.00 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 2.52 | 6 months | 2.54 |
| 2 months | 2.52 | 12 months | 2.54 |
| 3 months | 2.53 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 334.20 | 497.75 |
| 3 months | 339.00 | 501.45 |
| 6 months | 343.55 | 506.50 |
| 12 months | 352.70 | 514.50 |

**GOLD COINS**

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 390.50-393.50 | 264.00-266.00 |
| Maple leaf | 404.55-407.10 | - |
| New Sovereign | 92.50-95.50 | 62.00-64.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Sep | Nov | Sep | Nov |
| 1150 | 44 | 66 | 10 | 26 |
| 1175 | 30 | 52 | 18 | 36 |
| 1200 | 19 | 47 | 29 | 49 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 1900 | 70 | 92 | 57 | 84 |
| 1950 | 47 | 70 | 84 | 111 |
| 2000 | 31 | 52 | 117 | 143 |
| **Coffee** | **Sep** | **Nov** | **Sep** | **Nov** |
| 850 | 153 | 169 | 3 | 10 |
| 900 | 108 | 129 | 8 | 20 |
| 950 | 71 | 94 | 21 | 35 |
| **Cocoa** | **Sep** | **Dec** | **Sep** | **Dec** |
| 725 | 38 | 59 | 16 | 29 |
| 750 | 25 | 45 | 27 | 40 |
| 775 | 16 | 35 | 43 | 55 |
| **Brent Crude** | **Aug** | **Sep** | **Aug** | **Sep** |
| 1700 | 1 | 51 | 15 | 38 |
| 1750 | | 28 | | |
| 1800 | 11 | 22 | | |

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 394.0 | 394.3 | 0 | 0 |
| Aug | 394.5 | 394.9 | 395.5 | 390.2 |
| Sep | 395.5 | 395.9 | 395.2 | 392.0 |
| Oct | 396.6 | 397.0 | 397.5 | 392.2 |
| Dec | 398.7 | 399.1 | 399.9 | 394.3 |
| Feb | 401.0 | 400.9 | 401.1 | 398.1 |
| Apr | 402.3 | 402.7 | 402.6 | 400.6 |
| Jun | 404.1 | 404.5 | 404.0 | 402.0 |
| Aug | 406.0 | 406.3 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 406.7 | 409.4 | 408.0 | 402.0 |
| Oct | 407.7 | 411.4 | 409.0 | 404.1 |
| Jan | 408.2 | 411.6 | 409.5 | 404.5 |
| Apr | 408.8 | 411.9 | 410.0 | 408.0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 504.0 | 506.0 | 504.5 | 492.0 |
| Aug | 505.2 | 507.2 | 500.0 | 500.0 |
| Sep | 506.5 | 508.5 | 507.0 | 492.0 |
| Dec | 511.8 | 513.8 | 513.0 | 497.0 |
| Jan | 512.4 | 514.4 | 0 | 0 |
| Mar | 516.8 | 518.8 | 517.0 | 505.0 |
| May | 520.7 | 522.7 | 517.5 | 509.5 |
| Jul | 524.2 | 526.2 | 519.0 | 519.0 |
| Sep | 528.0 | 530.0 | 0 | 0 |
| Dec | 533.7 | 535.7 | 531.0 | 520.0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 84.50 | 85.50 | 85.00 | 82.30 |
| Aug | 84.90 | 85.85 | 84.90 | 83.65 |
| Sep | 85.15 | 86.20 | 86.00 | 82.30 |
| Oct | 85.25 | 86.40 | 84.70 | 83.50 |
| Nov | 85.35 | 86.55 | 0 | 0 |
| Dec | 85.40 | 86.65 | 86.20 | 83.10 |
| Jan | 85.45 | 86.75 | 85.60 | 85.50 |
| Feb | 85.55 | 86.90 | 0 | 0 |
| Mar | 85.50 | 87.05 | 85.90 | 84.00 |
| Apr | 85.80 | 87.15 | 0 | 0 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 18.16 | 18.10 | 18.33 | 18.10 |
| Sep | 18.42 | 18.33 | 18.54 | 18.34 |
| Oct | 18.66 | 18.58 | 18.75 | 18.58 |
| Nov | 18.86 | 18.78 | 18.92 | 18.80 |
| Dec | 19.02 | 18.97 | 19.10 | 18.98 |
| Jan | 19.18 | 19.16 | 19.28 | 19.18 |
| Feb | 19.29 | 19.29 | 19.38 | 19.29 |
| Mar | 19.45 | 19.38 | 19.47 | 19.37 |
| Apr | 19.50 | 19.47 | 19.56 | 19.44 |
| May | 19.53 | 19.55 | 19.63 | 19.53 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 50.65 | 50.74 | 51.15 | 50.50 |
| Sep | 51.70 | 51.76 | 52.10 | 51.55 |
| Oct | 52.85 | 52.88 | 53.20 | 52.80 |
| Nov | 54.00 | 54.00 | 54.30 | 53.95 |
| Dec | 55.10 | 55.12 | 55.40 | 55.05 |
| Jan | 56.00 | 55.97 | 56.25 | 56.00 |
| Feb | 56.30 | 56.22 | 56.60 | 56.25 |
| Mar | 55.60 | 55.42 | 55.90 | 55.60 |
| Apr | 54.85 | 54.47 | 55.00 | 54.85 |
| May | 54.10 | 53.62 | 54.10 | 54.10 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 931 | 925 | 946 | 945 |
| Sep | 956 | 954 | 965 | 950 |
| Dec | 985 | 983 | 994 | 980 |
| Mar | 1011 | 1006 | 1018 | 1005 |
| May | 1032 | 1027 | 1027 | 1027 |
| Jul | 1050 | 1045 | 0 | 0 |
| Sep | 1070 | 1065 | 1080 | 1080 |
| Dec | 1096 | 1091 | 1090 | 1090 |
| Mar | 1117 | 1112 | 0 | 0 |
| May | 1135 | 1130 | 1135 | 1135 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 72.75 | 69.05 | 73.25 | 70.15 |
| Sep | 73.60 | 69.55 | 73.95 | 70.35 |
| Dec | 76.05 | 71.80 | 76.20 | 72.90 |
| Mar | 78.20 | 74.00 | 78.40 | 75.20 |
| May | 79.50 | 75.75 | 79.25 | 77.50 |
| Jul | 81.00 | 77.30 | 0 | 0 |
| Sep | 82.50 | 78.95 | 0 | 0 |
| Dec | 85.00 | 82.25 | 85.00 | 83.00 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 9.70 | 9.74 | 9.80 | 9.62 |
| Mar | 9.95 | 9.98 | 10.00 | 9.88 |
| May | 9.95 | 9.97 | 9.99 | 9.90 |
| Jul | 9.89 | 9.88 | 9.93 | 9.80 |
| Oct | 9.88 | 9.87 | 9.90 | 9.85 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 59.60 | 59.97 | 60.05 | 59.01 |
| Dec | 60.74 | 61.05 | 61.15 | 60.07 |
| Mar | 61.55 | 61.95 | 61.80 | 60.90 |
| May | 62.39 | 62.55 | 62.50 | 62.40 |
| Jul | 63.00 | 63.20 | 63.30 | 63.07 |
| Oct | 61.62 | 62.10 | 0 | 0 |
| Dec | 61.89 | 62.28 | 62.00 | 61.50 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 123.05 | 121.55 | 123.00 | 120.25 |
| Sep | 125.80 | 124.25 | 126.50 | 122.80 |
| Nov | 127.50 | 126.70 | 128.70 | 125.70 |
| Jan | 128.95 | 128.30 | 128.80 | 126.25 |
| Mar | 130.45 | 129.90 | 130.00 | 129.50 |
| May | 131.50 | 131.45 | 0 | 0 |
| Jul | 131.50 | 131.45 | 0 | 0 |
| Sep | 129.95 | 130.45 | 0 | 0 |
| Nov | 129.95 | 130.45 | 0 | 0 |

**INDICES**

REUTERS (Base:September 18 1931 = 100)

| Jul.13 | Jul.12 | mnth ago | yr ago |
|---|---|---|---|
| 1696.3 | 1707.7 | 1650.2 | 1654.7 |

DOW JONES (Base: Dec. 31 1974 = 100)

| | Jul.12 | Jul.9 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 123.38 | 123.87 | 119.93 | 118.51 |
| Futures | 128.23 | 126.60 | 120.56 | 119.84 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 695/4 | 697/4 | 703/0 | 690/0 |
| Aug | 696/4 | 699/0 | 704/4 | 690/0 |
| Sep | 699/4 | 701/4 | 707/0 | 692/0 |
| Nov | 701/0 | 704/4 | 710/0 | 694/0 |
| Jan | 702/6 | 708/0 | 712/0 | 698/2 |
| Mar | 706/0 | 709/0 | 712/0 | 701/0 |
| May | 706/0 | 710/4 | 712/0 | 701/0 |
| Jul | 705/0 | 709/4 | 713/0 | 703/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 24.38 | 24.40 | 24.58 | 24.00 |
| Aug | 24.42 | 24.43 | 24.69 | 24.90 |
| Sep | 24.61 | 24.63 | 24.85 | 24.20 |
| Oct | 24.75 | 24.78 | 24.95 | 24.35 |
| Dec | 24.93 | 24.98 | 25.20 | 24.50 |
| Jan | 24.98 | 25.04 | 25.15 | 24.68 |
| Mar | 25.05 | 25.15 | 25.20 | 24.85 |
| May | 25.10 | 25.13 | 25.20 | 25.00 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 220.8 | 223.2 | 223.0 | 219.5 |
| Aug | 219.2 | 221.2 | 221.5 | 218.0 |
| Sep | 218.7 | 220.3 | 221.2 | 217.5 |
| Oct | 219.0 | 219.8 | 221.0 | 217.7 |
| Dec | 219.8 | 221.8 | 222.3 | 218.5 |
| Jan | 219.0 | 221.3 | 221.2 | 217.5 |
| Mar | 217.5 | 219.8 | 220.3 | 218.5 |
| May | 217.0 | 219.0 | 217.5 | 215.5 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 228/4 | 230/2 | 231/6 | 226/2 |
| Sep | 235/2 | 238/0 | 238/6 | 232/4 |
| Dec | 244/4 | 245/4 | 248/4 | 244/6 |
| Mar | 250/6 | 252/4 | 255/2 | 248/6 |
| May | 254/0 | 258/2 | 258/2 | 253/0 |
| Jul | 254/6 | 256/2 | 259/0 | 254/0 |
| Sep | 248/4 | 248/0 | 249/4 | 247/0 |
| Dec | 242/4 | 245/0 | 247/2 | 242/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 284/4 | 293/4 | 290/0 | 284/0 |
| Sep | 290/2 | 295/6 | 295/4 | 290/0 |
| Dec | 301/2 | 309/0 | 308/0 | 300/4 |
| Mar | 307/4 | 314/6 | 313/4 | 302/0 |
| May | 305/4 | 312/2 | 311/4 | 305/0 |
| Jul | 301/0 | 306/4 | 304/4 | 301/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 73.625 | 73.775 | 73.900 | 73.325 |
| Oct | 74.550 | 74.850 | 74.850 | 74.350 |
| Dec | 75.800 | 76.000 | 75.975 | 75.625 |
| Feb | 75.775 | 75.900 | 75.900 | 75.625 |
| Apr | 76.700 | 76.900 | 76.900 | 76.625 |
| Jun | 73.500 | 73.650 | 73.650 | 73.600 |
| Aug | 72.500 | 72.800 | 72.750 | 72.500 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 47.725 | 48.075 | 48.325 | 47.850 |
| Aug | 47.225 | 47.475 | 47.825 | 47.175 |
| Oct | 43.775 | 43.925 | 44.150 | 43.625 |
| Dec | 44.500 | 44.650 | 44.850 | 44.475 |
| Feb | 44.325 | 44.475 | 44.600 | 44.300 |
| Apr | 43.450 | 43.475 | 43.550 | 43.400 |
| Jun | 48.775 | 48.750 | 48.800 | 48.750 |
| Jul | 48.400 | 48.550 | 48.550 | 48.400 |

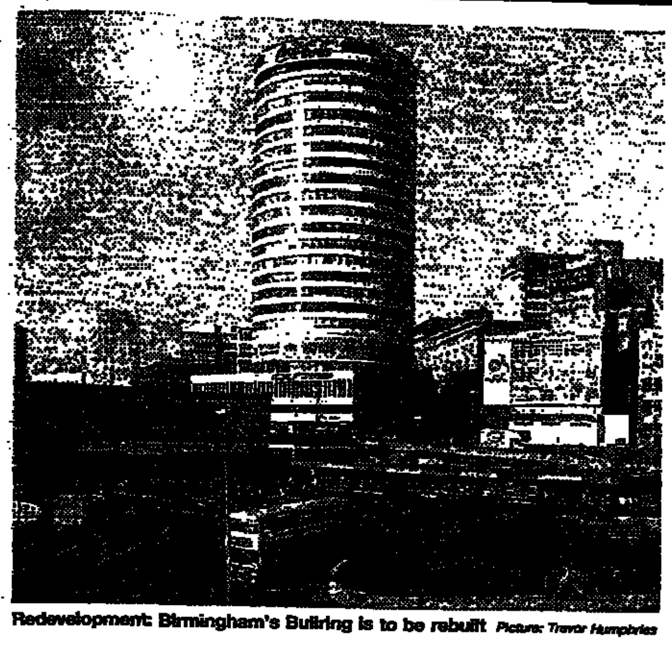
**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 39.150 | 39.625 | 39.700 | 38.900 |
| Aug | 37.300 | 37.650 | 37.850 | 36.900 |
| Feb | 46.175 | 46.775 | 46.675 | 45.350 |
| Mar | 46.300 | 46.150 | 45.350 | 45.100 |
| May | 47.000 | 47.000 | 0 | 0 |
| Jul | 46.200 | 46.200 | 0 | 0 |
| Aug | 46.500 | 46.500 | 0 | 0 |

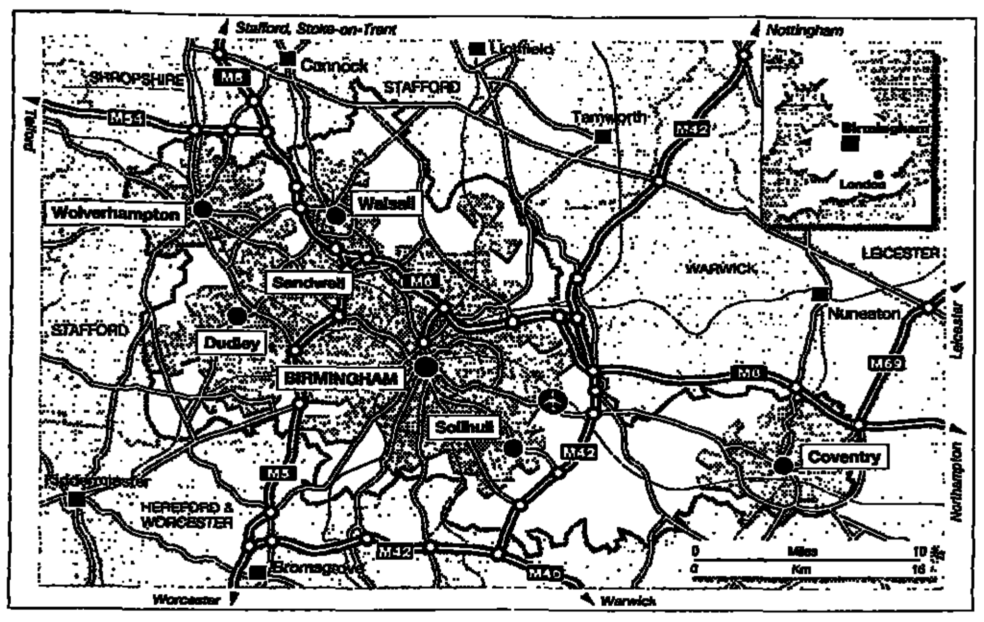
FINANCIAL TIMES SURVEY

# BIRMINGHAM AND WEST MIDLANDS

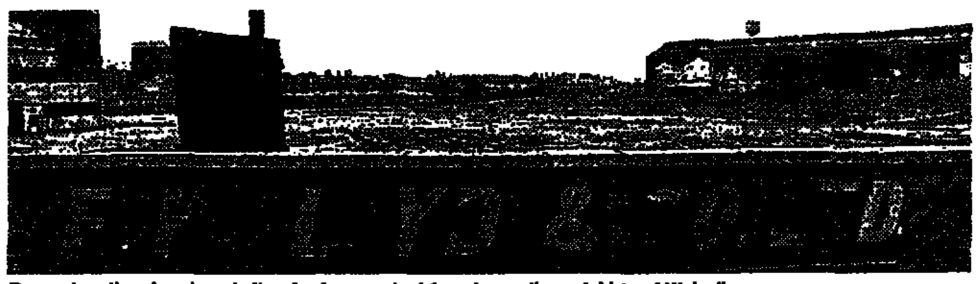
Wednesday July 14 1993



Redevelopment: Birmingham's Bullring is to be rebuilt Picture: Trevor Humphries




Relocation: Arlington's Birmingham Business Park, showing the Parkside phase



Recession: the abandoned site of a former steel foundry on the outskirts of Walsall

## Step by cautious step to recovery

*The region is reviving, with its industrial competitiveness enhanced by devaluation. The services sector has suffered a shake-out, but growth is expected to resume.* **Paul Cheeseright** reports

THE fundamental question about the West Midlands is not whether the regional economy will revive after recession. That revival, in erratic fashion, has started. Rather the question is whether the second recession in 15 years has pushed the economy towards atrophy.

The difficulties of recent years, coincident with changes in government policy, the closer integration of the European Community economies and growing social pressures, especially in the urban areas, accentuate undercurrents of concern about the longer term future.

The immediate prospects are for modest growth. In broad terms, the flow of orders began to revive in the early months of the year; business confidence has risen to the highest levels for three years in expectation that the pressures on profitability will be relieved.

But at the same time, the downturn in the European economies has blunted the thrust of recovery which, in any case, was off a low base. Three quarters of companies are working under full capacity, according to the latest calculations of forecasters at the Confederation of British Industry and Business Strategies.

Economists, then, are cautious about regional growth. "At the start of the year I forecast 1.5 per cent for 1993," says Mr Martin Booth, chief economist at the West Midlands Enterprise Board. "I think I want to tone that down slightly now, but I can see stronger growth next year unless the recovery is choked off." By stronger growth, he means more than 2.0 per cent.

Mr David Kern, the chief economist at National Westminster Bank, predicts in his mid-1993 forecast a 1.5 per cent growth for this year and 2.3 per cent for 1994. So he is slightly more optimistic than Mr Booth.

Any sustained national rise in consumer and investment spending would translate fairly quickly into a flow of orders for the engineering industry of the region and hence into the wider economy. Manufacturing remains the economic staple.

This is both a strength and a weakness. Although the West Midlands is traditionally the manufacturing heart of the UK, manufacturing as a source of employment has declined, is declining and is likely to continue to decline. The growth of employment in the services sector, until checked by the latest recession, was slower in the West Midlands than elsewhere in the UK.

Considering the region as a source of wealth, however, the future may be brighter than the employment prospects suggest.

The UK government has recently switched its rhetoric to stress the importance of manufacturing – after a decade of verbal indifference. Government tax policy has latterly followed lines approved by, for example, the regional Engineering Employers Federation.

Whether there exists the ability to take advantage of this new place in the political and economic sun is the wider question.

It bears on the suggestion of economic atrophy. Geographically the region has no particular advantage: it may be at the centre of the UK, but it is on the periphery of that arc of European vigour stretching from northern Italy, through Germany and France, to London.

Yet the pattern of the region's overseas trade is now firmly cast towards continental Europe. It is in the European arena, the more closely integrated EC market, that its competitive future will evolve. This is what worries the West Midlands Regional Forum of Local Authorities (whose collective voice is more sober than the "boosterism" of its individual members).

Noting that, as a traditional industrial region, the West Midlands is expected "to have above average vulnerability" to competition from within the EC, while remaining highly dependent on exports to other members of the EC, the Forum is anxious about the ability to compete. "By the year 2000, it has been estimated that 70 per cent of all European jobs will require brain rather than manual skills, yet levels of academic and skill attainment are relatively low in the West Midlands. Of particular concern is that several of the older manufacturing areas appear to lack access to the higher level skills required for the modernisation of the region's industries," the Forum says.

In fact, skills shortages never wholly disappeared – even during the recession – and there have been indications in recent surveys that skills shortages have begun to return as the economy revives. Corporate training budgets were frequently pruned during the recession. The training and enterprise councils which now stimulate and oversee much of the industrial training are too recent to have made a lasting impact.

There is also a social element to the question. In general, the areas which need the jobs most, because of their high unemployment, are the areas where employment opportunities have diminished.

The wards with highest unemployment are those of the inner cities. But the Birmingham City Council economic development department has drawn attention to the way in which job opportunities declined in the inner city, while increasing in the outer.

Between 1984 and 1991 total employment in the Birmingham outer city grew 4.2 per cent, but declined in the inner city by 7.4 per cent, largely because of the scale of change in the motor vehicle industry.

Planning policy and official funding is directed towards redressing that balance throughout the Birmingham-Black Country conurbation. The effort is to renew tired and derelict inner city areas so that more employment opportunities will emerge and more people will be trained to take advantage of them.

Hence the existence of two urban development corporations, in the Black Country and east Birmingham, and four City Challenge areas in Birmingham, Sandwell, Walsall and Wolverhampton.

Hence the appeals to government to retain assisted area status, able to receive regional and industrial development subsidies. Hence, by contrast, the fevered publicity, asserting how marvellous is the region and the cities in it.

Yet the pressures for development on the green belt, the steady flow of tenants into business parks on the edge of the conurbation and the movement of companies to green-field sites, in areas such as Telford, testify to a drift of corporate activity away from the inner city areas of the region, rather than towards it.

Working through this mix of overlapping problems – inherent skills shortages and a lack of jobs where jobs are needed most – will be of the first importance to the development of the region into the next century.

But if their solution is at least partially dependent on the level of economic activity, there are encouraging factors.

- The competitive position of industry changed between the recessions of the 1980s and the 1990s. Generally it is now more productive, more export-oriented – at least among the large and medium-sized groups.
- There has been a widening of the economic base in two senses: an influx of overseas investment has stimulated the regional economy, not only through its demands for local goods and services, but also through its spread of diverse management techniques; and at the same time there has been growth in the services sector.

This throws up two caveats: if overseas industry has been attracted mostly because of low domestic costs, then it can disappear as quickly as it came, while the expansion of the services sector is largely an expansion of the low wage economy.

The third encouraging factor is the developing links between the universities – Aston, Birmingham, Coventry, Warwick, Wolverhampton and the rest – and industrial groups. Co-operation of this kind will stimulate the movement of companies towards higher technology and new products, bringing into play different disciplines and harnessing wider ranges of skills. Here the future of the region rests.

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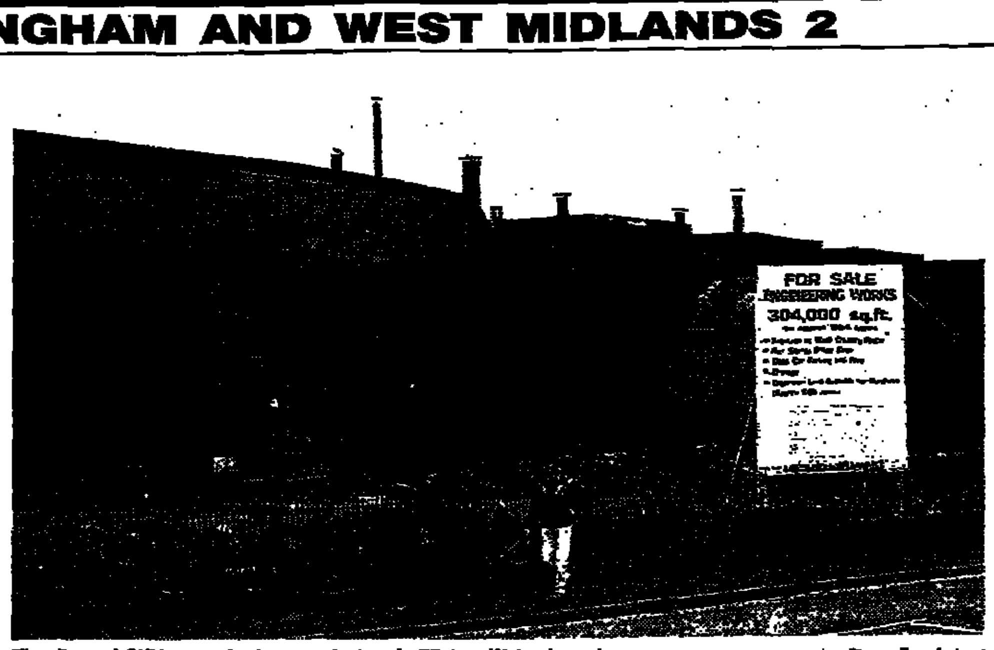
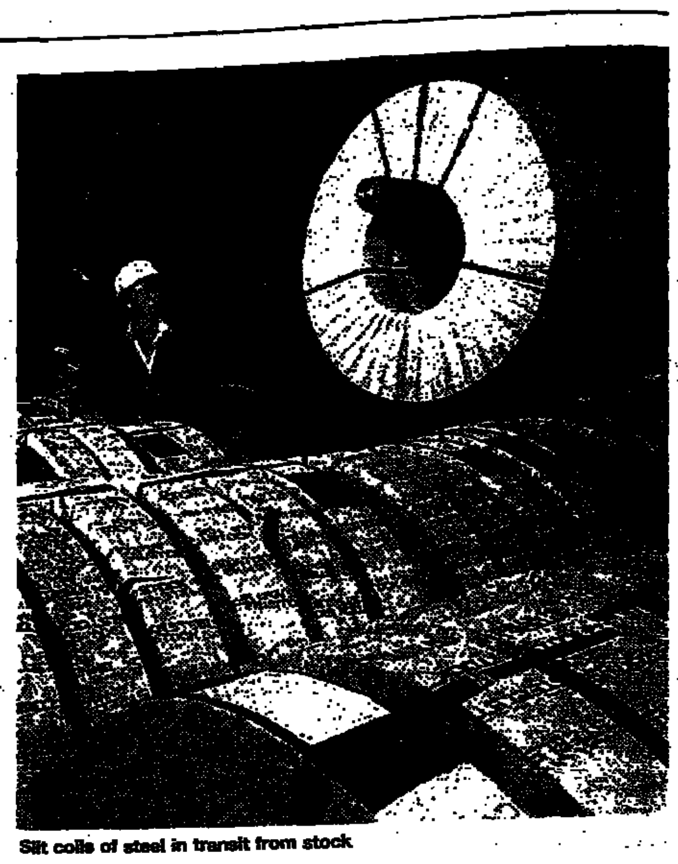
## BIRMINGHAM AND WEST MIDLANDS 2

Cannon Industries in Wolverhampton Picture: Tony Andrews



The disused GKN motor body press factory in Bilston, Wolverhampton Picture: Tony Andrews



Slit coils of steel in transit from stock

**Paul Cheeseright** *finds manufacturing industry beginning to pull out of the second recession in 10 years*

# Quite a lot of catching up to do

INDUSTRIAL groups in the region mostly show improved profits, as the economy starts its move out of recession. But the higher level of earnings usually owes more to the cost savings brought about by retrenchment and higher productivity than to recovery of demand.

In short, manufacturing in the West Midlands is emerging from its second bout of severe surgery in 10 years. The recession of the early 1980s set off a slimming-down process, as companies came to terms with bloated costs and began to change their market positions. Manufacturing employment continued to decline even when the national economy was at its strongest during the second half of the 1980s. The 1990s recession accelerated an already established trend.

Cambridge Econometrics, consultants, calculated a 19.2 per cent fall in manufacturing employment in the West Midlands between 1990 and 1993 and forecast a further decline of 6.2 per cent – 35,000 jobs – between 1993 and 2000.

But such forecasts do not imply any diminution in the importance of manufacturing to the regional economy. Indeed, technological change and increased investment, leading to higher output, generally need fewer people to do the work. In any case, manufacturing still accounts for 33.1 per cent of regional gross domestic product, against a national average of about 25 per cent; and for 29.1 per cent of total employment.

The accompanying table demonstrates that the West Midlands' traditional role as the industrial heart of the UK has not been eroded by the economic difficulties since 1980. According to the Confederation of British Industry, the most important sectors in terms of output are: electrical engineering, motor vehicles and mechanical engineering.

But the regional figures disguise the signal importance to particular localities of particular industries: ceramics to Stoke-on-Trent; crystal to the Brierly Hill area of the Black Country; electronics – latterly – to Telford; leather to Walsall.

Notwithstanding such specialised interests, there have been significant changes in the industrial structure.

"Figures for the last decade show a shift of emphasis away from metal manufacturing and other metal goods to motor vehicles and mechanical engineering. Such movement towards higher value-added industries should provide potential for future growth and prosperity in the region," says Albert E. Sharp, stockbrokers.

An example of this was the disappearance of basic steelmaking from the region on the one hand, and the gathering power of the automotive components sector on the other.

But the immediate market prospects for realising this potential are not encouraging. During the 1980s, the large and medium-sized engineering groups, especially, built up positions in continental European markets to such a successful extent that they were protected from the first impact of the domestic recession.

The latest surveys of both the Engineering Employers' Federation West Midlands, and the regional group of the Chambers of Commerce, showed that increased demand for manufactured exports, apparent in the first quarter of the year, had flattened out in the second quarter.

While the devaluation of sterling offered Midlands manufacturers an immediate competitive stimulus, the effect was limited.

First, the downturn in continental European markets, especially Germany, reduced demand. Second, European customers generally demanded a share of the margin gain which the devaluation offered exporters. Third, the combination of these two factors increased pressure on export prices, rather than relieved it. Fourth, there is now some evidence that imported material costs are rising.

All this has meant that the movement towards recovery has been slow, and is likely to remain dependent – at least for the rest of this year – on the Far East and dollar markets and on the domestic market. Both survey and corporate reports suggest that there has been recovery in both these market sectors.

Corporate fortunes are unlikely to improve dramatically except when cost reductions flow through. All the available measurements point to industry working well beneath capacity. The chambers of commerce report that only 14 per cent of manufacturing companies are working at full capacity – 43 per cent are under 80 per cent capacity.

Given, too, that the recession has led to reduced investment, there is bound to be some catching up to do before the full potential of higher valued-added manufacturing can be realised. The opportunity is available. The arrival of Honda, Nissan and Toyota has increased UK car-making capacity and offered new markets to the component makers.

The prosperity of the component companies causes ripples through the Midlands. But their prosperity will not be easily gained. The motor manufacturers have been seeking both to reduce the number of their suppliers and to change their relationship with them, thrusting out research and development. So the component makers are in some turmoil, even as their markets appear to widen. Not only that. With the downturn in continental European car markets, and the truck market in the doldrums, domestic motor manufacturers – Ford, Rover, Vauxhall – have been bearing down on suppliers, demanding price cuts.

However, the pressure to manufacture at low prices has drawn the German motor manufacturers such as Mercedes-Benz, Volkswagen and BMW to start buying more of their components in the UK, again widening the potential market for Midlands manufacturers.

Against the offsetting factors, confidence in the manufacturing sector has risen. More companies are confident about future trends of turnover and profitability than for the last three years. But the striking point about recent business surveys is that confidence is related to future rather than actual performance.

Once recovery takes hold, manufacturers will have to contend with skill shortages. Price Waterhouse, in association with the Warwick and Wolverhampton Business Schools, has already detected the first signs, warning that "a real skills shortfall could be in prospect when the recession ends finally, and it could have a serious impact on our competitiveness. Lack of fundamental reskilling policy during the recession will be to blame."

**WEST MIDLANDS MANUFACTURING: A regional perspective**

| | 1980 Location quotient | 1980 % of UK output | 1990 Location quotient | 1990 % of UK output |
|---|---|---|---|---|
| All manufacturing | 1.3 | 11.2 | 1.5 | 11.8 |
| - Motor vehicle and parts | 2.9 | 26.2 | 3.4 | 30.5 |
| - Mechanical engineering | 1.4 | 11.6 | 1.7 | 14.0 |
| - Other metal goods | 3.7 | 31.6 | 3.4 | 28.5 |
| - Metal manufacture | 2.3 | 19.0 | 2.2 | 16.7 |
| - Manufacture (Non metal minerals) | 2.5 | 16.5 | 2.6 | 18.1 |

Source: Albert E. Sharp (location quotient: UK quotient=One)

**SEASONALLY ADJUSTED UNEMPLOYMENT IN THE WEST MIDLANDS AND UK IN MAY 1993**

| | Males | % | Females | % | Total | % |
|---|---|---|---|---|---|---|
| W Midlands | 216,500 | 14.5 | 65,808 | 6.2 | 282,300 | 11.1 |
| UK | 2,238,900 | 14.0 | 674,900 | 5.6 | 2,913,800 | 10.4 |

Source: WMEB Labour Market Briefing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Business is picking up in the financial sector

# Regional effort works

SHORTLY before his departure from the government, Mr Norman Lamont, then the chancellor of the exchequer, spoke at a banquet to senior West Midlands executives. The response was publicly polite and privately indifferent. But when a local speaker mentioned the management buyout of the Leyland Daf van plant, a wave of enthusiasm and applause swept through the room.

Just as Leyland Daf has seemed a totem of West Midlands industry – its future a matter of emotional significance – so the way in which the buyout was arranged has become a rallying point for the financial community. No London players here, but regional funding regionally organised, denoting an ability to provide services across the board.

Coopers & Lybrand organised the financial package for the buyout. The regional office of 3i provided the main tranche of equity capital and the senior debt came from the Bank of Scotland. The Birmingham office of Arthur Andersen, the accountancy firm, whose London office had been the Leyland Daf receivers, claims a role in facilitating the buyout, by creating the environment in which 3i could invest money.

It shows increasing activity in a sector hit, as manufacturing was hit, by both recession and technological change. The flow of deals is high and "activity levels have moved significantly in the last three months," says Mr Bob Moore, chief executive of Birmingham City 2000, the financial and professional lobby group.

"Generally business is picking up," agrees Mr Roman McAlindon, managing partner of Arthur Andersen in Birmingham. "There is a string of opportunities coming up, with investment into the Midlands from outside, and management buyouts are beginning to emerge. But there's been a downturn in formal receivership appointments; there are not as many of them around now," he says.

This could mean some revival of employment opportunities, but growth may remain more constricted than in the 1980s, because of technological changes (increased office automation through the use of computers and so on) which are rushing through the financial services sector.

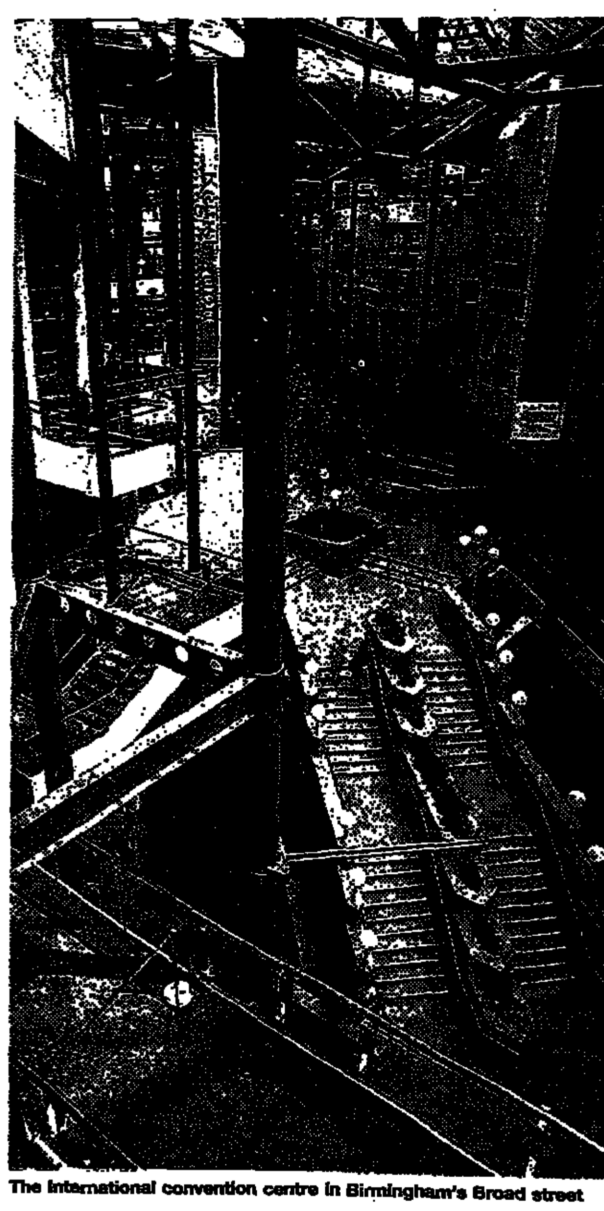
Between 1981 and 1991, according to analysis by Birmingham City Council's economic development department, "financial and professional services expanded employment by more than a third, creating an additional 16,000 opportunities in the city. However, even this rate of job growth was significantly lower than the more than 50 per cent growth experienced both regionally and nationally."

This increase – to 62,650 jobs, 13.5 per cent of jobs in the city – made the financial and professional sector the single most important source of private sector jobs in Birmingham – the region's dominant services centre.

Whether the recession has weakened the strength of this centre is not clear. To be sure, expansion stopped and the number employed declined to 59,800 last year, but the number of lay-offs in the legal profession, for example, was tiny compared with what has happened in London law firms.

Within the sector there have been changes. Although there is the full range of clearing banks (together with their subsidiary companies in areas such as lease finance, acting under separate names), more than 20 overseas banks, building societies and insurance companies, the specialist activity of merchant banking has declined.

Although groups independent of the clearing banks, such as Singer & Friedlander, remain, Kleinwort Benson and Barclays de Zoete Wedd have withdrawn. This has left gaps in the market which the accountants have been keen to fill – as in the Leyland Daf management buyout arrangements – trading on their easy accessibility, extensive networks and, increasingly, a willingness to negotiate smaller deals.



The international convention centre in Birmingham's Broad street

But if the choice of companies to negotiate deals and offer financial advice has declined, there is no shortage of institutions willing to advance equity funding in sums over £50,000. The regional office of the department of trade and industry, seeking to compile a register of finance sources, found more than 40 of them. More generally, it is agreed in the business community that there is no shortage of money available.

The key question is the conditions under which it will be advanced – given that the clearing banks have adopted very cautious lending policies. In present economic circumstances this bears down critically on the smaller businesses whose lack of physical assets causes the clearing banks to exercise even greater caution.

As the debate about funding a way out of recession has continued, attention has increasingly been paid to devising financial mechanisms for aiding small companies with soft loans; for addressing financial problems where £5000, not £50,000, is the difference between survival and expiry. Thus the Walsall Enterprise Agency, backed by a finance house, is setting up a loan fund, modelled on the earlier experience of Sandwell, and Birmingham Settlement, a voluntary group, is planning a community investment bank.

It is difficult, however, to measure the significance of Birmingham as a financial centre. While the city is the hub of the region, it is not automatic that businesses in Coventry or Stoke-on-Trent will look to Birmingham for services – as opposed to, respectively, London or Manchester.

This uncertainty about its own position pushes the Birmingham financial community, out of self-interest, to support the city council's attempts to make Birmingham a cultural centre and to make the centre of the city more welcoming.

There are local claims that Birmingham is the UK's second largest centre for financial services – a claim that is repeated in half a dozen other cities. It has its strengths as a regional centre (as Manchester Business School established in a 1991 study): for example, in corporate stockbroking through Albert E. Sharp, Smith Keen Cutler and Sharelink, and in the provision of legal services through partnerships such as Eversheds, Edge & Ellison, Wragge and Pinsent.

Manchester Business School makes the point that the Big Six accountancy practices employed more people in Birmingham than in any other regional centre, but concluded that "Manchester is the biggest regional centre in terms of overall employment in banking, finance, insurance, business services and leasing."

**Paul Cheeseright**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Stewart Dalby investigates a skills problem

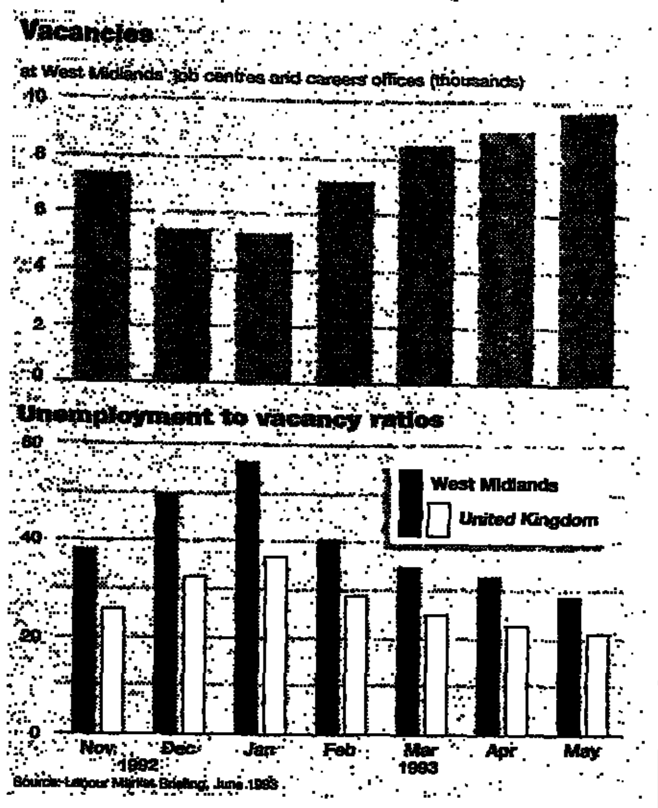
# Need to train more precisely on target

THE West Midlands region is typical of the skills mismatch which bedevils much of Britain. Even in recession, companies report difficulties in acquiring the skilled labour they need.

Sandwell demonstrates the problem. In this urban district in the Black Country, 45 per cent of the workforce is employed in manufacturing. Ethnic minorities account for 25 per cent of the population.

Mr John Bedingfield, chief executive of the Sandwell Training & Enterprise Council (TEC), says that companies tell him they need to find skilled labour – yet 20,000 people, 17 per cent of the workforce, are without jobs.

Asked how many of these would be unemployable even in a buoyant economic climate, Mr Bedingfield replies that it is impossible to say. "I'd like to think that no-one, or at least very few people are unemployable. But it is important to establish where education ends and training begins. Some young people in the area have low education attainments and aspirations. It is a question of teaching them interview techniques, showing them how to make out a curriculum vitae, motivating people who have never had jobs. Only then can you think about specific vocational training.




Youth training is either through an approved training provider or a job

Sandwell TEC is tackling training through two programmes it inherited from the government's training agency: the youth training programme, and employment training for adult long-term unemployed.

Youth training includes a system for the financial support of young people of 16 and 17 upwards. The programme gives them training over two years, either through an approved training provider, or (ideally) a job. The hope is that the trainee will achieve a national vocational qualification.

For adult returners the period of training is usually shorter; up to six months. There are about 3,000 people on the two schemes.

Over 80 per cent of Sandwell TEC's budget of £12.5m is allocated to these two projects. But there are many other schemes – Investors in People, for example, in which companies make a public commitment to develop their employees to achieve business objectives, and give counselling in schools.

Mr Bedingfield says: "More precise targeting is the key to training; we are in close touch with 70 companies and try to match training to their needs."

Sandwell is one of 10 TECs in the West Midlands; the biggest is Birmingham TEC, which has a £50m budget from the government. The Birmingham TEC, like the others, was set up (in 1990) to manage and develop the Department of Employment's training programmes for young people and adults and to support new and developing businesses. The TEC has refined the youth training programme into a system of credits. A printed voucher is issued to a young person, enabling him or her to pay for up to 104 weeks of training. Vouchers can only be cashed with an employer or training provider approved by the TEC.

The Employment Training (ET) programme has been renamed Training for Work; an initiative aimed at the adult long-term unemployed. Those eligible must be between 18 and 60 and unemployed for 6 months, but the programme also includes people with disabilities; ex-regular members of the armed forces; people whose first language is not English; people requiring literacy and numeracy training; returners to the labour market and victims of large scale redundancies.

Training for Work enables older people to get vocational qualifications

The TEC claims that this broader scheme is better than the old ET because it stops "skills leakage" – that is, people who, made redundant, then join the long term unemployed. It also enables older people, not merely school leavers, to acquire vocational qualifications. Training for Work provides intensive vocational training (usually up to 34 weeks) aimed at achieving a national vocational qualification (NVQ).

Birmingham TEC has 5,600 on its youth credits training scheme and between 8,000 and 9,000 on Training for Work. It claims that both are successful. In 1990-91, 1022 participants achieved an NVQ at level 2. In the following year the figure had more than doubled: to 2443.

Birmingham TEC believes that it is well on the way to meeting national education and training targets: 80 per cent of young people to have a NVQ to level 2 by 1997; 50 per cent of young people to reach NVQ level 3 or equivalent by 2000. (NVQ level 2 is equivalent to four GCSEs; level 3 to two A-levels.

The TEC likes to feel it is doing much more than simply continuing the government's training programmes. Mr Larry Freeman, head of marketing services, says: "The government schemes we inherited are aimed at the unemployed. It is perfectly proper that we should try to reduce unemployment through training. But I believe we cannot have a real skills revolution in this country unless we combine these programmes with initiatives for the 80 per cent of the available workforce who are in jobs."

Mr Freeman feels it is especially important in an area such as the West Midlands, which depends on advanced manufacturing to do something for those with jobs. He says: "There is a need for employees in engineering and electronics continually to upgrade their skills."

Accordingly, the Birmingham TEC has introduced a number of programmes for those in work.

The Weekend College programme is thought to be unique to Birmingham. This gives vouchers, worth £60, to adults with no skills or low skills, enabling them to go to college for a certain number of weekends, to upgrade their skills or learn new ones.

More significantly, perhaps, Birmingham TEC has launched a Skills Investment Programme which brings together employers in eight different sectors of employment. Together with the TEC, employers research a sector's needs. Initiatives for employees – either on site, or elsewhere – follow.

Mr Freeman says: "These programmes make a start on what has become known as 'up-skilling.' But what is really needed is a national strategy to meet the changing needs of industries."

Roads, air services and Birmingham's infrastructure have improved

# Take an international spin

BIRMINGHAM promotes itself as a "truly international city" at the heart of a economically reviving West Midlands region. What exactly does this mean?

Mr Bob Moore is a former banker who is now the chief executive of Birmingham 2000, a pressure group representing 250 companies in Birmingham. It wants to develop Birmingham as a business centre on a European and world-wide basis.

Mr Moore says: "The West Midlands is attempting to revive economically by attracting new investment in industry. If we are to further this, we have to make Birmingham a city to which foreign businessmen want to come and work. We must have the full range of professional services and cultural attractions, so that potential investors do not feel they have to operate out of London. That is what we mean by creating an international city."

The West Midlands has been successful in attracting nearly 900 foreign companies in the past decade to places such as Telford, Redditch, Coventry and Birmingham. The attraction has been partly the perception of a skilled workforce, partly the assistance on offer; but mostly, the good location.

The West Midlands is at the heart of Britain's motorway network. The opening of the final stretch of the M40 motorway from Oxford to Birmingham in Jan 1991 eased the pressure on the M1. The 27-mile northern relief road will be a privately-run toll road) will provide motorists with an alternative to the heavily congested Midlands section of the M6, from junction 4 at Coleshill to junction 11 at Laney Green.

The motorway infrastructure has also meant the development of a distribution/warehouse nexus in the so-called "golden triangle" of the M6, M1 and M42/A42.

From this area, 75 per cent of the UK population can be served within a 4 hour drive time, according to Chesterton, the estate agent. This makes it ideal as a national distribution centre; the warehouses of Toys R Us, Asda, Toyota and Jacobs are in the area.

The city of Birmingham has improved its internal infrastructure. Mr Alan Wenban-Smith, assistant director of planning at the city council, says: "It was obvious to us in the 1970s that the city centre was letting us down."

An inner-ring road had acted as a straitjacket around a tiny city centre. The city council has managed to bring break open the straitjacket by lowering the road and building a pedestrian bridge linking the civic centre of the city with Centenary Square and the International Convention Centre. Elsewhere, around the inner ring road, pedestrian crossings have slowed the traffic down.

You can now walk from Centenary square through the civic quarter, past the library and museum, as far as the newly pedestrian precinct of New Street, passing a number of bistros and wine bars on the way.

The effect of breaking open the road has created a bigger city centre which includes the Jewellery quarter, the Gunsmiths' quarter, and the Chinese quarter and Markets area.

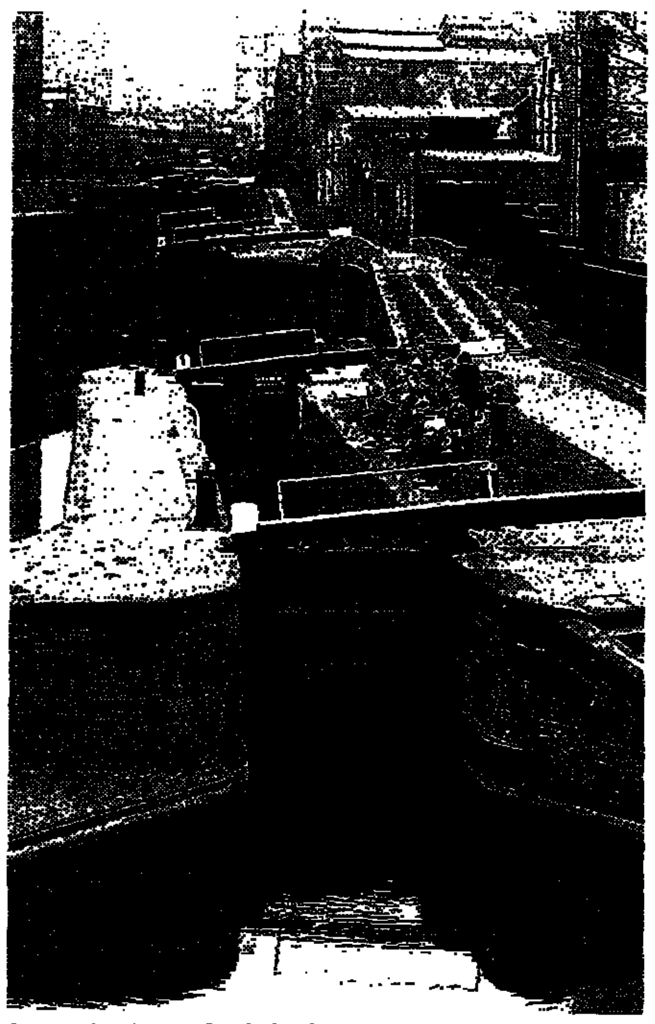
Congested traffic in the West Midlands is costing the regional economy £500m a year

Some of the factories in these areas have been turned into offices for the hundreds of bank workers, accountants and lawyers who have moved to the city during the past decade.

But the centrepiece of Birmingham's refurbishment so far has been the International Convention Centre (ICC) and the related National Indoor Arena behind it.

The ICC grew out of the National Exhibition Centre (NEC), close to the airport on the outskirts of Birmingham. The NEC is owned and financed by the city council. In 1991-92 116 exhibitions were held there, and the NEC Arena staged over 100 concerts.

The NEC is managed, on behalf of the city council, through an agency agreement to which the Birmingham Chamber of Commerce is a party. It has been consistently profitable and in the 1992-93 financial year made a contribution to Birmingham city council's fund of £11.64m after all its operating and financial charges. This profitability enabled the the management company to raise loans to finance the ICC and the indoor arena. The ICC cost £180m to build, with some £50m coming from the European Regional Development Fund.



A more leisurely pace: Birmingham's canal system Picture: Trevor Humphries

The ICC has held 800 conferences and conventions in its eleven halls since it opened two years ago. It is the home of a 2,200-seat concert hall, where the City of Birmingham Symphony Orchestra gives some 60 concerts a year. It does not make an operating profit (it lost several million pounds in 1991-92). But it has become the showpiece for the city's cultural and business life and it has stimulated the building of several first class hotels, notably the Hyatt. The spend in these hotels was put at £16m in 1991-92.

Birmingham still has a bad traffic problem. City planners have decided that there is not enough road capacity for all the traffic seeking to use it. The cost of congestion to the West Midlands economy has been put at £500m a year.

A metro or tram system is thought to be the solution. Metro Midland Line 1 will run from Birmingham Snow Hill to Wolverhampton. The capital cost will be £100m, some of it coming from the government, some from the EC. Part would come from the private sector.

A second line from the city centre out to the airport is costed at £250m, and plans for a third line are well advanced.

It was hoped that work could start in 1994, but Birmingham will have to wait. The starting date is now likely to be 1996.

Birmingham's international airport has not matched Manchester airport's growth – partly because Birmingham is that much closer to London, but also because civil aviation policy specified the growth of Manchester as England's largest airport. But Birmingham airport has expanded rapidly. It now handles nearly 4m passengers and serves 37 destinations in the UK, Europe and the US.

Birmingham's expanded airport now serves 37 destinations in the UK, Europe and the US

Mr Bob Taylor, managing director of Birmingham International Airport says: "Business travellers found it easy to go the London airports if they wanted to fly to the US. I feel a landmark was reached in March when BA started its daily flight from Birmingham to New York.

"We are not trying to keep up with Manchester, but I feel more and more business people will want to use Birmingham as a starting point."

**Stewart Dalby**

Unemployment statistics analysed

# Some worrying trends

NOBODY is quite sure why there was a fourth successive monthly fall in the West Midlands unemployment figures in May. In fact – surprisingly, given the level of business – the employment position looked more cheerful than for over a year.

More cheerful, that is, because the unemployment position had ceased to deteriorate. Analysis by the West Midlands Enterprise Board shows that over the period between November 1992 and May 1993, unemployment across the region fell by 0.1 per cent.

At the same time there have been some more job opportunities. The rough measurement of the unemployment to vacancy ratio (reached by dividing the number of jobless by the number of job centre and careers office vacancies) fell to 29 in May from 32.7 in April. The national ratios were respectively 21.1 and 23.

The figures are surprising because, as Mr Martin Booth, the WMEB's chief economist, says: "One would have expected a stronger output rise before unemployment declines." But he also notes that, traditionally, "the West Midlands goes deeper into recession than the national economy and, when it comes out, it comes out faster than the national average."

The difficulty is that the overall figures contain some damaging trends. Not least among them is the high proportion of those who have been without jobs for more than a year and are thus classified as long term unemployed. This proportion has increased in regional terms to 38.5 per cent of the May 1993 total unemployed from 36 per cent in October 1992. The national average is 35.8 per cent.

Unemployment in the region during May was 282,300: 11.1 per cent

Once the long term unemployed percentages are narrowed down, sharp differences emerge within the region. The area with the highest percentage is that of the old West Midlands county – the Birmingham-Black Country conurbation with Solihull and Coventry. Here the proportion is 43.3 per cent – compared with 29.8 per cent in Shropshire, lowest in the region.

A second series of damaging statistics comes from the absolute numbers when they are broken down to ward level. Total unemployment in the region during May was 282,300; or 11.1 per cent, against a national average of 10.4 per cent.

But there are 12 wards in the conurbation – five in Birmingham, three in Wolverhampton, two in Coventry and one each in Sandwell and Walsall – where male unemployment rates run at more than 35 per cent. The main thing these wards have in common is that they are inner city areas.

Local authorities worry that there are enlarging communities which are moving outside the economic cycle: even when the economy recovers, the unemployment rate in the inner city wards will remain high. It is to these areas, of course, that development programmes are directed.

But the effect of areas of unemployment and deprivation on the general business growth of the West Midlands region is not clear; prosperity and poverty have marched hand in hand in the Midlands since the industrial revolution. Moreover, there is a danger that deprivation saps confidence and drives away potential investors whatever the attractions of, say, a city centre.

**Paul Cheeseright**

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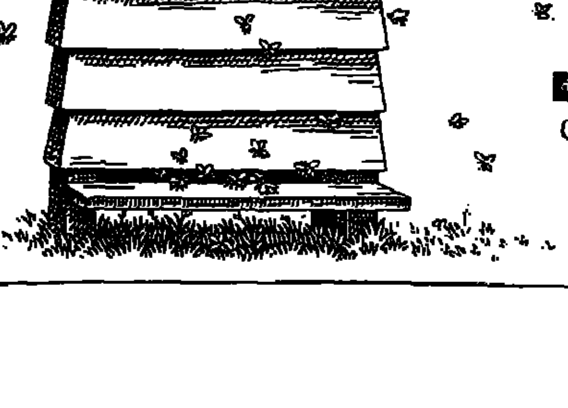

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Telford. development agency

Call David Rogerson and his team on 0952 293262

The Hyatt hotel and the International Convention Centre (right, far distance), seen across the bridge to Centenary Square Picture: Trevor Humphries

Inward investment has been impressive, reports **Stewart Dalby**

# A good place to be

The 1980s was a good decade for inward investment inthe West Midlands, a region covering the shire counties of Shropshire, Staffordshire, Hereford, Worcester and Warwickshire, and the seven metropolitan areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

When the West Midlands Development Agency (WMDA) was established in 1984 it was attracting 4 per cent of total inward foreign investment to the UK (measured in terms of projects). By 1990 the West Midlands was drawing 24 per cent of the UK total – a level matched only by Wales. Nearly 900 foreign companies had invested a cumulative total of £1bn in the area.

Domestic relocations and expansions are more difficult to quantify because the WMDA deals only with foreign investment. But Mr Chris Tillett, senior economist at Coopers & Lybrand in Birmingham, estimates that the foreign investment would easily have been matched by domestic relocations, start-ups and expansions.

Telford, a new town corporation until 1991, was at the forefront in attracting foreign companies. Using liberal government financing and aggressive marketing it attracted 120 foreign companies into the town – and 1000 relocations or start-ups.

Thirty-three of these companies came from the US, including Johnson Controls and Fruit of the Loom. Twenty-four were Japanese, including NEC Technology and Makita, a power tools concern.

Other parts of the West Midlands also did well. In Wolverhampton, the Connecticut-based Elm Energy and Recycling is building a $86m waste tyre to energy power station.

The investments have not been confined to manufacturing. Barclays Bank set up a back office operation in Coventry employing 700 people. The TSB has established a presence in Birmingham itself – also employing about 700 people.

New investment has either created or protected more than 100,000 jobs.

The West Midlands is an intermediate development area, and therefore it qualifies for regional selective assistance from the UK Government and funding from some of the European Community programmes. But apart from Telford and Redditch in Hereford and Worcester there has been no extra aid in the form of generously funded specialised bodies such as the Welsh Development Agency or Locate in Scotland.

The attractions have been: good central location in the middle of the UK; and the perception of a skilled labour force and the availability of modern greenfield, B1 light-industrial factories and offices. While manufacturing and new high-technology industries have gone, on the whole, to business parks, some attached to the six universities in the area (such as Warwick University outside Coventry and Aston University in Birmingham), service industries have found abundant office space in Birmingham.

**Domestic relocations probably slumped more severely because fewer companies moved out of the south-east in the recession**

Plenty of space remains. The Telford Development Agency says it has 1,000 acres of industrial space outstanding. Only 60 per cent of the 150 acre Birmingham Business Park has been occupied, and other business areas are being established.

Filling the space, however, looks like being a more difficult struggle than in the past. Recession has hit relocations, just as it has affected other industries. Although figures for inward foreign investment for 1992 have not been officially released, Mr Tillett estimates that the West Midlands share of the cake dropped to 13 per cent (measured by number of projects). Domestic relocations probably slumped more severely, he thinks, because fewer companies moved out of the hard pressed south-east.

But even without recession the 1990s were bound to be harder because competition for investment both domestically and internationally is becoming more intense.

Mr David Rogerson, chief executive of the Telford Development Agency, says: "A lot of the big US and Japanese companies wanted to be in Europe before the single market of 1992. These large investments are not going to come along again. It is now a question of finding smaller companies from places like Taiwan."

The British government is redrawing the regional assistance map. There is a distinct possibility that Telford will lose its development status and that areas in the south-east, in Dorset, Kent and East Sussex, will receive assistance. This will probably mean more development agencies chasing mobile investment.

Mr Rogerson says: "At the moment we are competing with about 100 agencies domestically, and something like 1,000 internationally. When we launch an initiative in Japan we often find ourselves following a group of Dutch people around, who stress how well they speak English. English speaking countries are attractive to Japanese businessmen because they have a low level of competence in other European languages."

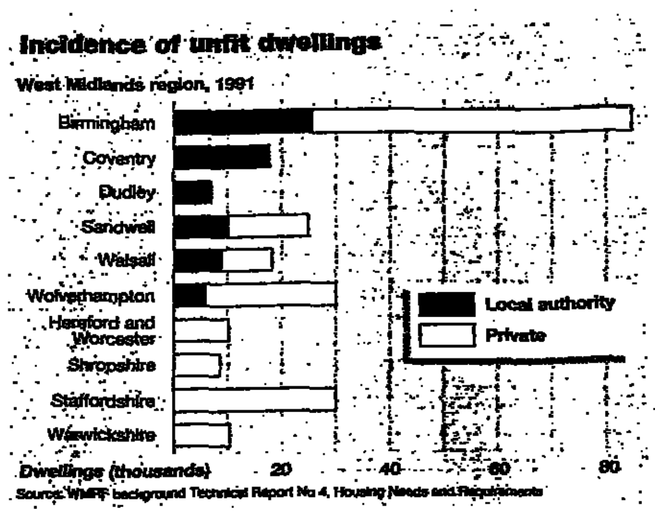
Mr Tillett agrees with Mr Rogerson. He says: "Most of the big players such as Toyota and Nissan are in the UK. The West Midlands needs to continue as a manufacturing centre because there are not enough service jobs to go round. It is a question of 'upskilling' and attracting small high-technology companies and automotive component concerns. These will often be joint ventures."

Mr Paul Richards, chief executive of WMDA, agrees that the going is getting tougher. But he believes that the West Midlands could enjoy another good decade of inward investment – it will be different kinds of investment.

He says: "We will be looking for smaller companies which will be involved in international strategic alliances, technology transfer arrangements, joint ventures for research. and so on. I believe the diversity of the industry we have built up will help us. We never got the humdingers, like Toyota, which went to the east Midlands. But with our skills base we attracted a broad range of industries from automotive components to electronics to food processing."

Great emphasis is placed on attracting automotive components companies – partly because Toyota, near Derby, will provide a ready market for them.

A favourable sign came last month when Johnson Controls announced that it is to become the first tenant on the Black Country Development Corporation's new 115-acre Automotive Component Park. The US-based company is making a £10m investment which will create 160 new jobs. The development corporation is hoping that this move is the first of many.




Source: WMPF background Technical Report No 4, Housing Needs and Requirements


The town centre of Solihull

**Hazel Duffy** examines the region's urban renewal programmes

# Need is not always enough

THE Government's efforts to enhance the West Midlands urban canvas sound generous: two urban development corporations; four City Challenges; a new Housing Action Trust; Estate Action; City Grant totalling £8m; derelict land grant amounting to £20m.

Such is the heritage of physical neglect, however, and the social problems associated with a neglected environment, that even this panoply of schemes cannot transform a highly urban region.

For nearly 200 years, the swathe of towns that grew into the West Midlands conurbation has been the scene for coal mining, minerals extraction, metal bashing and manufacturing. They have not just left their scars above the ground. All the many phases of industrial workings have left their mark below the surface.

Fortunately, with each new discovery of the horrors that were left by industry, new methods of dealing successfully with the problem are being worked out.

**In the Black Country nearly 2,000 private sector new houses have been built on reclaimed sites, but extensive reclamation is costly**

In the Black Country, for instance, nearly 2,000 private sector new houses have been built on reclaimed sites. In the east Birmingham area about 500 new houses have been built or are about to be started; sites are being prepared for another 500.

In Stoke-on-Trent, a complex of offices, retail, leisure and industrial development covers part of the once derelict site which was reclaimed for the Garden Festival. Derelict land in the Stoke ribbon of urban development has been dealt with steadily over the years. Much of the land, however, has been greened, because reclamation of land for redevelopment is much more expensive.

The city is now coming to terms with the urgent need to assemble packages of land to be made suitable for industry. This will depend on successful deals being worked out with the owners – which include industry, the utilities and British Coal.

The motivating factor in restoring derelict and run-down tracts of land is this need to be able to offer new sites for potential incoming companies, and for existing companies to expand. While developers keep up pressure to bite into green belt land, the towns and cities in the region must find alternative urban sites. Without this land, prospects are poor for towns and cities being able to provide urban living standards better than now.

Packaging sizeable sites can be a lengthy and costly procedure; existing users must be bought out and relocated. In the current climate, developers and financial institutions are sceptical – unreasonably – about the finished product. The abandonment by the government of the proposed contaminated land register, at least for the time being, has not allayed the private sector's fears.

The Black Country Development Corporation, set up in 1987, is finding the costs of extensive reclamation more than it can afford. Funding has been cut back sharply in the government squeeze on public spending. Increasingly, unreclaimed sites are being put up for sale accompanied by a site investigation report, leaving the developer to carry out the reclamation.

*Birmingham Heartlands* Development Corporation, set up in 1992 to cover part of east Birmingham, is likely to adopt a similar course on the site it bought as part of the Leyland-Daf rescue. The Black Country spine road, now under way, will provide much better access to sites such as that of the old Patent Shaft steelworks, once planned as a huge shopping mall redevelopment, now offered as an automotive components industrial park.

**URBAN REGENERATION**

Expenditure by department of the environment in West Midlands region

| Grant regime | 1992/93 Allocation/ expenditure £m | 1993/94 Allocation £m |
|---|---|---|
| Urban programme | 41,117 | 26,959 |
| City grant | 3,928 | 8,800 |
| Derelict land grant | 22,270 | 20,600 |
| City action team spec. budget | 0,427 | 0,410 |
| Urban development corporations | 67,460 | 72,000 |
| City challenge | 8,250 | 29,600 |
| Task forces | 3,056 | 2,6452 |
| Urban Partnership fund | | 3,576 |
| Coalfield area fund | | 0,826 |
| Totals | 146,508 | 165,416 |

Notes
1992-93 figures are estimated outturns; actual outturn figures have been used where available.
1993-94 figures are all allocations.
UDC figures include Black Country spine road and expenditure of receipts.

A new spine road in Birmingham Heartlands is expected to get the go-ahead in late summer – again improving the marketability of sites.

City Challenge schemes in the region were allocated £29.6m in 1993-94. City Challenge plans to address the social needs of rundown areas more deliberately than urban development corporations, whose brief is primarily property-led.

The regional winners are in the Black Country and Birmingham. City Challenge is concentrated in the most deprived neighbourhoods. To be a deprived area, however, does not necessarily lead to the five year City Challenge status and £37.5m from the Department of the Environment. Coventry and Dudley were losers in the second and (for the present) last round of City Challenge, despite putting in bids for severely deprived neighbourhoods.

Coventry has succeeded in getting a £2.6m slice of the new Urban Partnership fund which will enable two developments in one of the unsuccessful City Challenge wards – a ward which recorded an unemployment rate of 28 per cent in April 1993 – to go ahead.

The phasing out by the government of Urban Programme money (down from £41.1m in 1992-93 to £27m in 1993-94 in the region) which funded projects across the inner cities through the local authorities, is hard on neighbourhoods which have not been designated for Estate Action, City Challenge or other area-specific programmes. Urban Programme has funded a wide variety of economic, social and training projects in the past.

Three housing estates on the outskirts of Birmingham demonstrate the swings and roundabouts of government funding policy. Nobody denies their need. But they did not qualify for the old system of funding, which concentrated on the inner city.

Now one of the estates, the most needy, has attracted Estate Action. But one of the two adjoining estates, only slightly less deprived, falls outside old and new funding.

The Castle Vale housing estate in the north east of the city accepted the government's terms for money to be pumped in via a Housing Action Trust. The private sector also has a lot of unfit housing; it is more difficult to find the means to upgrade. Current rates of investment in upgrading or replacing this stock do not keep pace with the problem.

The quality of life in much of the region's urban areas is poor. East and west Birmingham health authorities have described their territories as among the unhealthiest places in the UK. The number of households with at least one person suffering from long term illness is nearly 50 per cent higher than in a Warwickshire village. In the Black Country's Sandwell district, a new worry is the high incidence of diabetes among people with ethnic minority backgrounds.

The quality of the environment is part of the quality of life. Nobody has given it a high priority in the predominantly urban West Midlands.

That is just beginning to change. Birmingham has shown that it is possible to improve the urban environment, at least in the centre of the city.

A new report* prepared by the West Midlands Forum of local authorities calls on other towns and cities in the region to follow the Birmingham example in a campaign to make the region more attractive.

**West Midlands' industrial competence will go unrecognised in the wider world unless it deals with related environmental issues**

This is just one of the recommendations in a report to the European Commission which aims to convince the West Midlands that its industrial competence will go unrecognised in the wider world unless it addresses a number of related environmental and economic issues.

*Development Strategy for the West Midlands: Partners in Europe.

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## LONDON STOCK EXCHANGE

# Economic data boost equity market

By Steve Thompson

A NUMBER of programme trades, said to have been weighted to the buy side, plus some highly encouraging economic data and another resolute opening performance by Wall Street, helped London's equity market regain its composure yesterday.

The FT-SE 100 Index ended a net 6.2 up at 2,837.1, while the FT-SE Mid 250 Index did little more than mark time, closing only 1.4 up at 3,230.0.

But the view around some of the City's dealing desks was that yesterday's performance may well have been no more than a technical bounce, after the near 70-point fall since the start of the month, and that the market's rally might well be followed by a more severe sell-off.

Wall Street's steady showing on Monday saw London off to a bright start with the FT-SE 100 opening almost two points higher, and after a brief flurry of selling pressure which took the Footsie down to a net decline of 3.4 at one point, it traded in positive territory for the rest of the day.

Sentiment was given a strong booster in mid-morning by news that industrial production during May had risen by 2 per cent, month on month, compared with market expectations of an increase in the region of 0.5 per cent, and 3.9 per cent on the year.

"The 2 per cent rise is a big number and shows that the recovery is in place," said Mr Robin Aspinall at Panmure Gordon, the stockbroker. He added that the market was now getting keyed up for today's inflation figures for June and tomorrow's unemploymwent numbers.

After a brief period of reflection on the output numbers, the market gradually moved up a gear, with dealers reporting an increased willingness by the big institutions to get involved in the market. "After the news, it felt much better and the institutions were happy to sort out some of their positions," noted one market-maker.

Another view in the market was that the output figures, which were seen as confirming the economic recovery, could well have reduced the chances of a cut in UK interest rates in the short term, a view reinforced by sterling's show of strength late in the session.

Turnover, which struggled at minimal levels during the early part of the day, picked up as the session drew to a close, finishing at 592.4m shares.

This was well up from Monday's 448.1m shares which, as brokers gloomily reported, provided customer business worth only £796.2m.

The value of daily retail business, commonly above the £1m mark since the second half of last year, has contracted sharply in the last two weeks. The value of customer business dropped below £1bn on two days last week and threatens to do so this week.

Next Monday will see a dramatic transformation in customer turnover, however, with trading in BT3 certain to give activity levels a strong boost.

BT shares were among the market's more active stocks yesterday and continued to underperform the market as bearish circulars from two broking houses, Kleinwort Benson and Carr Kitcat & Aitken, continued to unsettle nerves.

There was no nervousness surrounding shares in SG Warburg, which raced higher on the prospect of hefty fees and commission income generated by the merchant bank's handling of the BT3 flotation.

### TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|
| ASDA Group† | 6,600 | 62½ | | De La Rue† | 482 | 842 | -2 |
| Abbey National† | 5,700 | 414 | -3 | Dixons | 1,800 | 192 | -1 |
| Albert Fisher | 304 | 63 | | Eastern Elect. | 815 | 498 | -5 |
| Allied-Lyons† | 1,900 | 557 | +1 | East Midland Elect. | 661 | 474 | -8 |
| Anglian Water† | 3,600 | 490 | -1 | Eng China Clays | 186 | 423 | -7 |
| Argos | 7,300 | 307 | +4 | Enterprise Oil† | 1,400 | 447 | +2 |
| Argyll Group† | 3,000 | 310 | -1 | Eurotunnel Units | 128 | 403 | +4 |
| Arjo Wiggins† | 5,300 | 166 | -1 | FKI | 909 | 138 | +½ |
| Ass. Brit. Foods† | 1,200 | 470 | -2 | Fisons | 1,300 | 176 | -1 |
| Ass. Brit. Ports | 146 | 404 | +4 | Foreign & Col. I.T. | 743 | 231 | +1 |
| BAA† | 2,200 | 717 | +6 | Forte† | 3,700 | 221½ | |
| BAT Inds.† | 8,900 | 418 | +6 | Gen. Accident† | 1,300 | 622 | +9 |
| BET | 382 | 115½ | | General Elect.† | 8,600 | 315½ | -½ |
| BICC | 565 | 401 | | Glaxo† | 2,700 | 558 | +1 |
| BOC† | 1,000 | 654 | -2 | Glynwed Int. | 1,300 | 298 | +1 |
| BP† | 4,000 | 299 | | Granada† | 1,800 | 410 | +3 |
| BPB Inds. | 998 | 215 | +1 | Grand Met.† | 2,100 | 415 | +7 |
| BT† | 8,000 | 418½ | -2½ | GUS A† | 98 | 1753 | +13 |
| BTR† | 9,100 | 351 | -1 | GRE† | 4,300 | 202 | +5 |
| Bank of Scotland† | 865 | 154½ | +½ | GKN | 784 | 452 | -1 |
| Barclays† | 6,000 | 491 | +1 | Guinness† | 2,000 | 487 | +2 |
| Bass† | 3,400 | 460 | +11 | HSBC (75p shs)† | 5,200 | 658 | |
| Blue Circle† | 1,900 | 242 | +1 | Hammerson 'A' | 181 | 305 | +7 |
| Booker | 517 | 408 | -1 | Hanson† | 15,000 | 237 | +¼ |
| Boots† | 2,200 | 432 | | Hanson Warrants | 1,800 | 25 | |
| Bowater† | 1,500 | 453 | -6 | Harrisons Crosfield | 87 | 182 | +1 |
| Brit. Aerospace† | 2,200 | 427 | +7 | Hillsdown | 2,100 | 142 | |
| British Airways† | 2,300 | 304 | +6 | IMI | 2,700 | 272 | -2 |
| British Gas† | 5,600 | 291 | -1½ | ICI† | 2,800 | 645 | +5 |
| British Land | 2,400 | 337 | +4 | Inchcape† | 2,400 | 542 | +1 |
| British Steel† | 7,900 | 88½ | +3 | Johnson Matthey | 771 | 455 | -1 |
| Bunzl | 308 | 129 | -1 | Kingfisher† | 1,400 | 585 | -4 |
| Burmah Castrol† | 189 | 719 | +7 | Kwik Save | 222 | 682 | +1 |
| Burton | 2,400 | 82½ | +½ | Ladbroke† | 1,400 | 186 | -2 |
| Cable & Wire.† | 1,900 | 763 | | Land Securities† | 623 | 588 | +4 |
| Cadbury Schweppes† | 2,200 | 448 | -2 | Laporte | 601 | 611 | -2 |
| Calor Group | 16 | 238 | | Legal & General† | 2,000 | 500 | +13 |
| Carlton Comms.† | 838 | 782 | -6 | Lloyds Abbey | 1,800 | 437 | +2 |
| Coats Viyella† | 719 | 230 | -1 | Lloyds Bank† | 2,800 | 568 | +3 |
| Comm. Union† | 1,400 | 615 | +11 | LASMO | 5,100 | 150 | -3 |
| Cookson | 1,400 | 211 | +3 | London Elect. | 1,800 | 489 | +1 |
| Courtaulds† | 983 | 526 | | Lonrho | 2,700 | 131 | -3 |
| Dalgety | 149 | 455 | +2 | Lucas | 4,200 | 149 | +1 |

| | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|
| MB Caledon† | 159 | 280 | | Siebe† | 823 | 483 | +1 |
| MEPC | 1,800 | 434 | +7 | Slough Ests | 798 | 218 | -1 |
| MFI | 647 | 126 | -2½ | Smith (W.H.) A | 287 | 435 | +3 |
| Manweb | 571 | 544 | -7 | Smith & Nephew† | 1,700 | 142½ | +1 |
| Marks & Spencer† | 3,000 | 334 | +4½ | SmKl Beecham† | 2,800 | 424 | |
| Midlands Elect. | 1,500 | 514 | +2 | SmKl Beecham Uts† | 878 | 374 | |
| Morrison (Wm.) | 585 | 140 | +1 | Smiths Inds. | 16 | 367 | |
| NFC† | 43 | 244 | | Southern Elect. | 400 | 499 | -3 |
| NatWest Bank† | 2,800 | 482 | +5 | South Wales Elect. | 58 | 559 | -2 |
| National Power† | 2,900 | 358 | -4 | South West Water | 1,000 | 519 | |
| Next | 4,000 | 163½ | +1½ | South West. Elect. | 173 | 508 | -1 |
| North West Water† | 2,300 | 478 | | Southern Water | 9,300 | 490 | -1 |
| Northern Elect. | 100 | 539 | -6 | Standard Chartd.† | 914 | 804 | +6 |
| Northern Foods† | 8,400 | 256 | +4 | Storehouse | 3,600 | 191 | |
| Norweb | 78 | 523 | -8 | Sun Alliance† | 1,600 | 373 | +1 |
| Pearson† | 1,800 | 480 | -5 | T&N | 182 | 187 | |
| P & O† | 868 | 820 | +6 | TI Group† | 894 | 340 | +2 |
| Pilkington | 1,100 | 130 | +1 | TSB† | 1,700 | 196 | +½ |
| PowerGen† | 850 | 381 | -3 | Tarmac | 1,400 | 131½ | -½ |
| Prudential† | 4,200 | 339 | +4 | Tate & Lyle† | 1,200 | 390 | +5 |
| RMC† | 747 | 759 | +3 | Taylor Woodrow | 3,060 | 100 | +5 |
| RTZ† | 1,100 | 680 | +1 | Tesco† | 4,800 | 207 | +4 |
| Racal | 1,900 | 217 | +3 | Thames Water† | 2,800 | 490 | |
| Rank Org.† | 776 | 759 | -4 | Thorn EMI† | 895 | 908 | +1 |
| Reckitt & Colman† | 872 | 571 | +6 | Tomkins† | 10,000 | 219 | +6½ |
| Redland† | 1,300 | 459 | +1 | Trafalgar House | 2,300 | 101 | -1 |
| Reed Intl.† | 1,300 | 665 | -7 | Unigate | 390 | 350 | |
| Rentokil† | 1,700 | 198 | +2 | Unilever† | 4,700 | 977 | -25 |
| Reuters† | 867 | 1400 | +8 | United Biscuits† | 1,000 | 387 | -1 |
| Rolls Royce | 2,800 | 144 | +1½ | Utd. Newspapers | 908 | 521 | -14 |
| Rothmans† | 608 | 682 | -1½ | Vodafone† | 2,100 | 439 | -2 |
| Ryl Bk Scotland† | 4,080 | 287 | +2 | Warburg (SG)† | 692 | 734 | +16 |
| Royal Insurance† | 3,400 | 319 | +2 | Wellcome† | 844 | 852 | -3 |
| Saatchi | 2,800 | 163 | | Welsh Water | 1,000 | 580 | -6 |
| Sainsbury† | 2,300 | 438 | +2 | Wessex Water | 277 | 580 | -4 |
| Scottish & New.† | 1,200 | 482 | +7 | Whitbread 'A'† | 2,000 | 479 | +4½ |
| Scot. Hydro-Elect.† | 701 | 339½ | -3½ | Williams Hldgs.† | 1,700 | 318 | +1 |
| Scottish Power† | 849 | 317 | -2 | Willis Corroon | 421 | 218 | |
| Sears† | 7,500 | 85½ | | Wimpey | 1,100 | 159 | +2 |
| Sedgwick | 2,200 | 194 | +1 | Wolseley† | 671 | 612 | |
| Seeboard | 90 | 529 | +2 | Yorkshire Elect. | 37 | 537 | -3 |
| Severn Trent Water† | 3,100 | 478 | +1 | Yorkshire Water | 1,100 | 497 | +7 |
| Shell Transport† | 2,700 | 616 | -1 | Zeneca† | 2,800 | 618 | +2 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

### Account Dealing Dates

| | | | |
|---|---|---|---|
| *First Dealings: | Jul 5 | Jul 19 | Aug 2 |
| Option Declarations: | Jul 15 | Jul 29 | Aug 12 |
| Last Dealings: | Jul 16 | Jul 30 | Aug 13 |
| Account Day: | Jul 26 | Aug 9 | Aug 23 |

*New time dealings may take place from 8.30am two business days earlier.

# Proctor move hits Unilever

REPORTS OF an aggressive pricing campaign by Proctor and Gamble, the US household chemicals group, hurt Unilever and the shares tumbled 25 to 977p in hefty turnover of 4.6m. It was the stock's lowest level since mid-September last year.

Analysts said the reports emanating from the US suggested that P & G, which had mounted a vociferous promotion strategy on its detergents, had now decided to extend the campaign in North America and incorporate other products in its detergents range. With margins already squeezed in the detergents business, the P & G move is seen as an escalation of an already difficult situation.

## Court disappoints

The recent run of successful market debuts came to a sudden halt as shares in Court Cavendish, the nursing home company, closed at a hefty discount to their 225p issue price, which had valued the company at £51m.

Dealers blamed a number of factors for the drop, which saw the shares open at 210p and drift back to 204p, before finishing at 207p. Turnover came to 1.6m.

One factor cited was the £33m cash call made last week by rival operator Crestacare, with institutions which would have given the Court shares more support holding back until the allocation of the rights issue is known. In April, Westminster Health Care completed a £63m rights issue.

Another rumour being heard was that Takare, the nursing home market leader, would also return to shareholders for a cash injection in the autumn. Takare shares were steady at 240p, Westminster a penny ahead at 297p and Crestacare level at 43p.

## BAe strong

Positive news from Taiwan, along with the upgrading of profits expectations by BZW, once again led to strong demand for British Aerospace, sending the stock further ahead.

As speculation continued about a lucrative order for Airbus Industrie, in which it has a 20 per cent holding, demand for the stock was boosted by news that Taiwan's Economics Ministry and a local banking consortium had agreed on financing for the planned regional jets venture with BAe.

Sentiment was further enhanced by BZW, which increased its estimate of current year profits by £30m to £125m. It also raised the following year's forecast by £30m to £235m. The 1995 prediction is now at the top of the range. BZW cited the improvement of sales at Rover Group, BAe's carmaking subsidiary, for the change.

## L&G in demand

General and life insurance group Legal & General moved sharply ahead on a squeeze and positive sentiment from several brokers, ahead of the imminent publication of new business figures. The stock closed 14 ahead at 500p after relatively heavy turnover of 2m shares.

Specialists expect the figures to be positive and Charterhouse Tilney yesterday joined other brokers in reiterating its positive stance on the stock. The positive sentiment in the sector also boosted several other life stocks. These included London & Manchester Group, where the shares advanced 10 to 343p, and Prudential 4 better at 339p.

Bargain hunters in both General Accident and Commercial Union helped the shares bounce 9 to 622p, and 11 to 615p, respectively. Cazenove was also reported to have recommended both stocks.

In a perky drinks sector, Bass was the outstanding performer gaining 11 to 460p in good turnover of 3.4m. The shares had fallen heavily at the end of last week on derisory talk that a promotion by the company's Holiday Inn subsidiary had sparked a Hoover-type situation. But yesterday Bass was reassuring the market that the offer – involving discounts for US visitors to Europe – was going well and the shares responded accordingly.

Storms in the US pushed corn prices higher and cheered Grand Metropolitan, the shares up 7 to 415p. Greene King continued to respond to positive comment after last week's results, closing 7 to the good at 415p.

The White Paper on Sunday trading had little effect on consumer stocks, with most of those affected already factoring in the government's positive stance.

Rank Organisation slipped 4 to 759p with Hoare Govett underlining its caution on the stock ahead of interim figures tomorrow. The market is forecasting a range of £88m-£94m.

The expectation of a success on the BT3 sale attracted investors to SG Warburg, the global co-ordinator of the sale. The shares jumped 16 to 734p. Abbey National gave up 3 to 414p, with SG Warburg Securities said to have taken the stock off its buy list.

Turnover in conglomerate Tomkins jumped to 10m as several brokers issued "buy" recommendations on the stock. The shares, which on Monday achieved the dubious honour of being the biggest fallers in the FT-SE 100, after it reported figures, bounced 6¼ to 219p. NatWest Securities said: "The continuing cost reductions in RHM should help to ensure good profit growth over the next two to three years."

Profit-taking in Lonrho left the shares 3 lighter at 131p.

Water stocks were mixed following the publication of the report by regulatory body Ofwat on water charges. Analysts said that the seven per cent real return on capital seen as necessary to secure adequate financial ratios in the sector could imply greater long-term profits in the sector than previously expected. There was relief that the timescale for costly improvements is likely to be longer than previously supposed. Among those staying in positive territory, Northumbrian added 5 to 573p and Yorkshire 7 to 497p.

Strong bargain-hunting lifted Tiphook, ahead of today's eagerly awaited figures. The shares finished 12 better at 286p.

Solid demand from UK institutions saw British Steel put on 3 to 156¼p, in trade of 7.9m. Continued hopes that an order for Airbus aircraft will be accompanied by an order for Rolls-Royce engines to power the aircraft boosted the shares 1¼ to 144p.

Worries over its European markets mentioned at the company's annual meeting, hurt Johnson Matthey, discounting a recommendation from Hoare Govett. The shares eased a penny to 455p.

The Sun's aggressive pricing campaign continued to inflict injuries on its competitors with United Newspapers proving the market's main casualty. The publisher of the Daily Star and Daily Express lost 14 to close at 521p while Mirror Group Newspapers fell back 2 to 151p. News International, The Sun's owner, moved up a penny to 216p.

The successful outcome in the rights issue of Hammerson "A" generated upward move in property stocks.

The 97 per cent take-up of Hammerson increased its share price by 7 to 305p. British Land advanced 4 to 337p; Land Securities also moved up 4, taking it to 586p and MEPC added 7 to 434p. One specialist said that the take-up was a little better than expected after slight hesitation that Hammerson's offer would match those from other property companies in a long series of cash calls.

Investors were unmoved by Great Portland's plans to review its relationship with its managing agents after negative press reports on the arrangement. Its share price had moved ahead a penny to 173p in early trading on the Hammerson wave and stuck at that level after the plan was announced at the company's agm.

A buy note from James Capel stirred up brisk activity in Taylor Woodrow, which moved up 5 to 100p in volume of 2.8m.

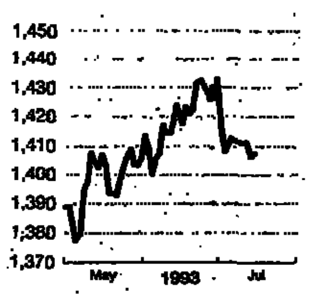
In textiles Jacques Vert, the women's fashions designer and retailer, pushed up 13 to 100p on the back of a bounce in profits and a large increase in the dividend.

Sherwood Group fell back 11 to 136p. Recent downgradings and fears over its lace sales in Europe and performances in its sock division were blamed.

**MARKET REPORTERS:**
Steve Thompson,
Joel Kibazo,
Christopher Price,
Christine Buckley.

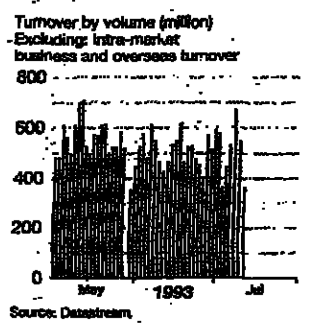
■ Other statistics, Page 19

FT-A All-Share index




Equity Shares Traded

Turnover by volume (million) - Excluding: intra-market business and overseas turnover




Source: Datastream

### NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (123).

BRITISH FUNDS (24), OTHER FIXED INTEREST (10), AMERICANS (7) Amer. T & T, Citicorp, Echlin, General Electric, Merrill Lynch, Morgan (J.P.), Tenneco, CANADIANS (3) Canadian Imp. Bank, Toronto-Dom. Bank, Trans Can. Pipe, BANKS (7) Dai Ichi, Fuji, Mitsubishi, Sanwa, Standard Chartered, Sumitomo, Westpac, BREWERS (3) Fuller Smith & Turner, Marston Thompson, Matthew Clark, BLDG MATLS (2) Heton, Heywood Williams, BUSINESS SERVS (1) Bridgend, CHEMS (1) Halstead (J), CONTG & CONSTRCN (1) Ashtead, ELECTRICALS (1) Dewhurst A, ELECTRONICS (2) Electron House, Polar, ENG AERO (1) AIM, ENG GEN (4) Cardo, Dyson (J & J), Do. A, SKF, FOOD MANUF (1) Avonmore A, FOOD RETAILING (1) Farepak, HOTELS & LEIS (2) Friendly, Pram, INSCE BROKERS (1) Lowndes Lambert, INSCE COMPOSITE (2) Amer. Intl., GRE, INSCE LIFE (1) Legal & Gen., INV TRUSTS (18) Abtrust Prfd. Inc., County Smllr., Euro. Assets, Fidelity Euro. Values Wrnts., Finsbury Smllr Co's., Fleming Ind. High Zero Div. Pf., German Wrnts., I & S Opt. Inc. Zero Div., M & G Recovery, Med. Fd., Merlin Intl. Green, New Zealand, O'seas. Wrnts., Primadona, Sphere Inc., TR Euro. Growth, MEDIA (1) Abbott Mead Vickers, MTL & MTL FORMING (1) Thyssen, MISC (2) Nobo, Norbain, MOTORS (4) Euro. Motor, Lookers, Sanderson Murray Elder, Vardy (Reg), OTHER FINCL (2) Mercury Asset Mgmt., Perpetual, OTHER INDLS (1) Tex, PACKG, PAPER & PRINTG (3) Low & Bonar, Shelton (Martin), Somic, PROP (2) Brit. Land, Daejan, STORES (4) Essex Furniture, Fine Art Devs., French Connection, Gt. Universal, TEXTS (3) Allied Text., Ingham, Jacques Vert, TRANSPORT (2) Bergesen A, Forth Ports, WATER (1) Sth. Staffs., MINES (6) Anglo Am. Coal, Europa Mins., Kidston, Nth. Broken Hill, Sons Gwalia, St. Barbara.

NEW LOWS (23).

BRITISH FUNDS (3) Ex. 13¼pc 1994, Tr. 10pc 1994, Tr. 14½pc 1994, BREWERS (1) Wolv. & Dudley, CONTG & CONSTRCN (2) Birse, EBC, Smart (J), ELECTRONICS (1) Micro Focus, FOOD MANUF (3) Cranswick, Everest, Unilever, FOOD RETAILING (1) Low (Wm), HEALTH & HSEHOLD (1) Intercare, MEDIA (1) Hodder Headline, MISC (2) BAT Inds., Comit, OIL & GAS (1) New London, OTHER INDLS (1) Tomkins 6¼pc Pf., PACKG, PAPER & PRINTG (2) Bowater 7¾pc Pf., Microgen, PROP (1) Embassy, STORES (1) Country Casuals, TEXTS (1) Sherwood.

### FINANCIAL TIMES EQUITY INDICES

| | July 13 | July 12 | July 9 | July 8 | July 7 | Year ago | * High | * Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2228.5 | 2221.1 | 2229.2 | 2227.8 | 2234.1 | 1897.4 | 2299.5 | 2124.7 |
| Ord. div. yield | 4.15 | 4.18 | 4.14 | 4.14 | 4.13 | 4.88 | 4.52 | 4.07 |
| Earning yld % full | 4.93 | 4.95 | 4.93 | 4.93 | 4.91 | 7.03 | 6.36 | 4.82 |
| P/E ratio net | 25.95 | 25.87 | 25.96 | 25.96 | 26.08 | 17.90 | 26.57 | 19.40 |
| P/E ratio nil | 24.06 | 23.96 | 24.07 | 24.08 | 24.16 | 16.65 | 24.60 | 18.14 |
| Gold Mines | 221.3 | 225.8 | 222.2 | 229.5 | 239.3 | 85.7 | 239.3 | 60.0 |

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2221.0 | 2220.7 | 2220.7 | 2221.6 | 2219.8 | 2223.2 | 2223.7 | 2222.9 | 2227.8 | 2228.6 | 2217.1 |

| Volume | July 13 | July 12 | July 9 | July 8 | July 7 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 25,584 | 26,182 | 27,016 | 24,951 | 25,357 | 18,258 |
| Equity Turnover(£m)† | - | 798.2 | 1227.9 | 1203.1 | 1155.6 | 854.3 |
| Equity Bargains† | - | 28,922 | 30,471 | 28,950 | 29,706 | 21,121 |
| Shares traded (ml)† | - | 368.7 | 552.8 | 673.7 | 538.4 | 356.4 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

### EQUITY FUTURES AND OPTIONS TRADING

A LACK of vitality continued to prevail in stock index futures, although the September contract on the FT-SE 100 did manage to muster a steady day's trading, writes Christine Buckley.

The contract opened at 2,841 and closed at 2,845. Its weakened to 2,835 about half an hour into trading before it found an upward path. The day's high came at 3pm when it nudged 2,852, but the syndrome of dealers selling when the 2,850 is breached struck again and the last hour saw a 7-point decline.

Volume was respectable at 7,069 contracts and activity was stimulated by the better-than-expected factory output figures which spread optimism for the longer-term recovery outlook. That activity was, however, tempered by the double-edged element to the output figures – the fading hopes for interest rate cuts.

One trader also felt the slight futures revival was helped by investors returning to the market and creating a bounce after several weak days. September was 2 points ahead of its fair value premium to cash, which is 7 points.

Traded options moved with conviction and their volume put the previous day's dismal performance firmly in the shadows. Total volume was 29,437 against the previous day's 16,553. Index options took the lion's share with 8,333 lots in the FT-SE 100 and 4,107 in the Euro FT-SE 100.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2837.1 +6.2 | 3230.0 +1.4 | 1408.44 +2.28 |

| | Jul 13 | Day's change % | Jul 12 | Jul 9 | Jul 8 | Year ago | Dividend yield % | Earnings yield % | P/E Ratio | Xd adj ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2837.1 | +0.2 | 2830.9 | 2843.2 | 2845.9 | 2484.0 | 4.03 | 5.94 | 20.96 | 51.80 | 1019.83 |
| FT-SE Mid 250 | 3230.0 | — | 3228.6 | 3236.8 | 3226.4 | 2440.4 | 3.73 | 6.07 | 20.40 | 52.18 | 1152.47 |
| *FT-SE Mid 250 ex Inv Trusts* | *3248.4* | — | *3245.4* | *3253.4* | *3243.8* | *2458.8* | *3.83* | *6.49* | *19.26* | *52.99* | *1153.84* |
| FT-SE-A 350 | 1421.8 | +0.2 | 1419.2 | 1424.8 | 1424.8 | 1205.9 | 3.96 | 5.97 | 20.83 | 35.28 | 1047.30 |
| FT-SE SmallCap | 1634.46 | -0.1 | 1635.61 | 1638.04 | 1637.59 | - | 3.48 | 4.23 | 33.31 | 24.05 | 1222.23 |
| FT-SE SmallCap ex Inv Trusts | 1636.01 | -0.1 | 1637.89 | 1639.58 | 1640.39 | - | 3.67 | 4.86 | 31.27 | 25.29 | 1224.42 |
| FT-A ALL-SHARE | 1408.44 | +0.2 | 1406.16 | 1411.46 | 1411.46 | 1189.23 | 3.93 | 5.86 | 21.32 | 24.78 | 1056.14 |
| 1 CAPITAL GOODS(214) | 996.07 | +0.2 | 994.46 | 995.48 | 995.85 | 779.77 | 4.00 | 4.28 | 31.00 | 20.73 | 1168.71 |
| 2 Building Materials(28) | 1049.91 | +0.3 | 1046.81 | 1048.85 | 1051.65 | 862.90 | 4.46 | 3.71 | 37.99 | 21.04 | 1212.73 |
| 3 Contracting, Construction(29) | 920.48 | +0.3 | 917.43 | 919.77 | 923.53 | 732.96 | 3.57 | 1.45 | 80.00† | 13.43 | 1269.52 |
| 4 Electricals(15) | 2968.22 | — | 2967.40 | 2984.69 | 2966.50 | 2364.26 | 4.54 | 4.97 | 25.81 | 65.13 | 1195.45 |
| 5 Electronics(38) | 2685.44 | -0.2 | 2689.69 | 2687.74 | 2702.22 | 1921.35 | 3.21 | 6.25 | 19.71 | 59.24 | 1173.84 |
| 6 Engineering-Aerospace(7) | 427.21 | +0.9 | 423.35 | 414.07 | 414.75 | 326.95 | 3.46 | ‡ | ‡ | 6.61 | 1475.11 |
| 7 Engineering-General(48) | 578.36 | +0.1 | 577.98 | 577.73 | 578.34 | 478.35 | 3.75 | 6.34 | 19.58 | 10.82 | 1154.69 |
| 8 Metals & Metal Forming(11) | 413.77 | +1.5 | 407.57 | 403.93 | 395.52 | 298.68 | 2.84 | ‡ | ‡ | 6.06 | 1305.63 |
| 9 Motors(20) | 420.40 | +0.3 | 419.13 | 417.93 | 416.50 | 337.78 | 5.17 | 4.44 | 31.55 | 9.77 | 1150.91 |
| 10 Other Industrials(35) | [illegible] | | | | | | | | | | |
| 21 CONSUMER GROUP(233) | [illegible] | | | | | | | | | | |
| 22 Brewers and Distillers(30) | [illegible] | | | | | | | | | | |
| 25 Food Manufacturing(22) | [illegible] | | | | | | | | | | |
| 26 Food Retailing(17) | [illegible] | | | | | | | | | | |
| 27 Health & Household(28) | [illegible] | | | | | | | | | | |
| 29 Hotels and Leisure(20) | [illegible] | | | | | | | | | | |
| 30 Media(33) | [illegible] | | | | | | | | | | |
| 31 Packaging and Paper(24) | [illegible] | | | | | | | | | | |
| 34 Stores(36) | [illegible] | | | | | | | | | | |
| 35 Textiles(20) | [illegible] | | | | | | | | | | |
| 40 OTHER GROUPS(142) | [illegible] | | | | | | | | | | |
| 41 Business Services(28) | [illegible] | | | | | | | | | | |
| 42 Chemicals(22) | [illegible] | | | | | | | | | | |
| 43 Conglomerates(11) | [illegible] | | | | | | | | | | |
| 44 Transport(15) | [illegible] | | | | | | | | | | |
| 45 Electricity(16) | [illegible] | | | | | | | | | | |
| 46 Telephone Networks(4) | [illegible] | | | | | | | | | | |
| 47 Water(13) | [illegible] | | | | | | | | | | |
| 48 Miscellaneous(32) | [illegible] | | | | | | | | | | |
| 49 INDUSTRIAL GROUP(551) | [illegible] | | | | | | | | | | |
| 51 Oil & Gas(18) | 2456.13 | -0.2 | 2460.68 | 2455.43 | 2441.32 | 1917.15 | 4.45 | 5.69 | 22.25 | 48.05 | 1117.93 |
| 59 "500" SHARE INDEX(609) | 1514.56 | +0.1 | 1513.45 | 1519.03 | 1519.17 | 1338.14 | 3.98 | 6.48 | 19.02 | 26.16 | 1019.96 |
| 61 FINANCIAL GROUP(90) | 1077.07 | +0.6 | 1070.42 | 1074.98 | 1075.56 | 717.01 | 3.95 | 3.47 | 42.96 | 21.06 | 1260.02 |
| 62 Banks(9) | 1473.46 | +0.3 | 1468.84 | 1478.28 | 1484.72 | 954.28 | 3.66 | 4.20 | 32.79 | 28.48 | 1263.17 |
| 65 Insurance (Life)(6) | 2089.56 | +1.5 | 2059.62 | 2065.05 | 2053.52 | 1494.46 | 4.27 | 4.60 | 27.38 | 47.49 | 1215.41 |
| 66 Insurance (Composite)(7) | 694.79 | +1.2 | 686.36 | 692.25 | 685.79 | 475.86 | 4.48 | ‡ | ‡ | 15.00 | 1134.42 |
| 67 Insurance Brokers(10) | 896.79 | +0.2 | 895.04 | 893.35 | 894.46 | 785.46 | 4.04 | 5.57 | 25.53 | 16.46 | 1182.13 |
| 68 Merchant Banks(6) | 680.78 | +0.9 | 674.49 | 674.70 | 675.39 | 441.88 | 3.30 | 6.70 | 18.54 | 12.33 | 1382.37 |
| 69 Property(29) | 896.34 | +0.7 | 890.30 | 892.08 | 887.87 | 585.09 | 4.53 | 4.50 | 29.82 | 18.47 | 1432.79 |
| 70 Other Financial(23) | 394.82 | +0.3 | 393.50 | 393.25 | 390.79 | 240.44 | 4.23 | 5.57 | 24.02 | 6.93 | 1333.08 |
| 71 Investment Trusts(110) | 1531.57 | +0.1 | 1529.69 | 1534.74 | 1526.69 | 1133.73 | 2.67 | 2.13 | 46.96 | 10.93 | 1162.37 |
| 99 FT-A ALL-SHARE(809) | 1408.44 | +0.2 | 1406.16 | 1411.46 | 1411.45 | 1189.23 | 3.93 | 5.86 | 21.32 | 24.78 | 1056.14 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2832.8 | 2831.3 | 2831.4 | 2834.7 | 2833.0 | 2836.0 | 2836.4 | 2833.0 | 2836.3 | 2837.4 | 2827.5 |
| FT-SE Mid 250 | 3230.6 | 3230.4 | 3228.0 | 3229.0 | 3227.6 | 3229.2 | 3229.4 | 3229.3 | 3230.0 | 3232.3 | 3227.5 |
| FT-SE-A 350 | 1420.2 | 1419.6 | 1419.4 | 1420.7 | 1419.9 | 1421.3 | 1421.5 | 1420.1 | 1421.5 | 1421.8 | 1418.0 |

Time of FT-SE 100 high: 1:17pm low: 9:09am

### FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | 1758.1 | 1771.0 | 1769.6 | 1768.0 | 1765.8 | 1766.8 | 1767.9 | 1766.8 | 1767.6 | 1768.1 | 1758.2 | +9.9 |
| Health & H | 995.1 | 991.7 | 989.9 | 991.3 | 989.0 | 991.1 | 991.6 | 990.8 | 992.5 | 992.5 | 991.6 | +0.9 |
| Water | 1367.6 | 1393.9 | 1387.8 | 1377.2 | 1365.2 | 1368.6 | 1369.7 | 1366.2 | 1365.2 | 1365.2 | 1364.9 | +0.3 |
| Banks | 1787.9 | 1784.7 | 1785.2 | 1789.7 | 1789.6 | 1791.9 | 1792.6 | 1790.4 | 1791.7 | 1791.0 | 1785.3 | +5.7 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
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"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. CONSTITUENT CHANGE: NAME CHANGE: London American Venture now London American Growth (71).

## LONDON SHARE SERVICE

### BRITISH FUNDS

[illegible]

### BRITISH FUNDS - Cont.

[illegible]

### BRITISH FUNDS - Cont.

Index-Linked

[illegible]

### OTHER FIXED INTEREST

[illegible]

Continued on next page

## CROSSWORD

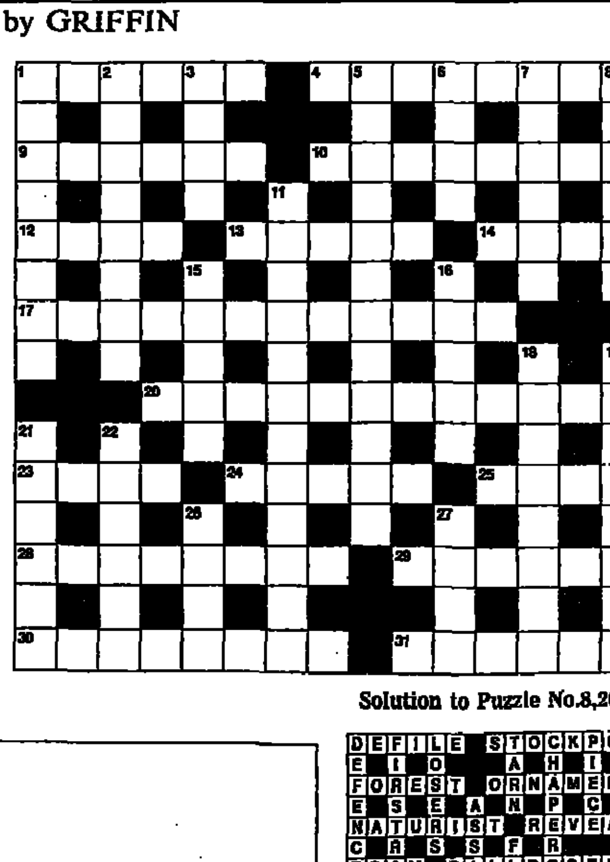
No.8,201 Set by GRIFFIN

**ACROSS**

1 Gloss even improved a ruler (6)
4 Free German paper put outside for scrap (8)
9 Pole dropped shotgun round for nothing (6)
10 God takes wicked model in (8)
12 Dog-end? (4)
13 Write to city girl (5)
14 Cover hole by swimming area (4)
17 Frenchman exploded amatol again without blending (12)
20 Shrink is on about things women giving birth suffer (12)
23 Has, when he leaves, very big cases (4)
24 Certainly not right and still withdrawn (5)
25 Brave chap takes girl round (4)
28 Unwanted, they point south (8)
29 Breakfast food for mule is awful! (6)
30 Taking lino round charge pioneer (8)
31 Returning, flogs companion clutch (6)

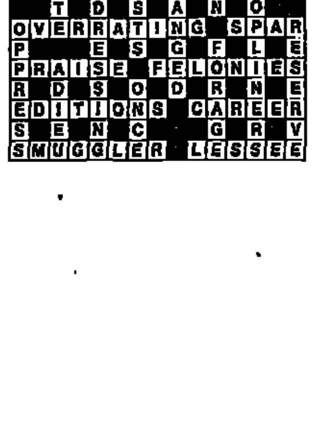
**DOWN**

1 Blind gondoliers usually are (8)
2 Aunt Alice pointlessly upset marine (8)
3 Some of these chords reverberate (4)
5 Protested when scolded after mentors' review (12)
6 Swell place to sit in theatres? (4)
7 Require 12 topless men on top (6)
8 Candle maker entirely in drag! (6)
11 Am to emphasise notices surrounding sewers (12)
15 Shining silver base (5)
16 Stand and kick hydrant (5)
18 Certain to rest uneasily here (8)
19 At Edgbaston is Hick concealing surprise? (8)
21 Drink can go up after December 3rd (6)
22 Sick of unmarried students losing key (6)
26 Design round litre vessel (4)
27 Brand of black vase (4)



JOTTER PAD

Solution to Puzzle No.8,200



## LONDON SHARE SERVICE

### AMERICANS

| | Notes | Price £ | + or - | 1993 high | 1993 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 17¼xd | +⅛ | 20⅞ | 15[illegible] | 14,436 | 2.5 |
| Allegheny & W. | ♥ | 652p | — | 652p | 399p | 338.8 | 2.8 |
| Amdahl | | 335p | — | 591p | 302¾p | 378.2 | 0.9 |
| Amer Cyanamid | | 34⅞ | -1⅛ | 36⅝ | 31¼ | 3,144 | 3.0 |
| Amer Express | | 21¼xd | +⅛ | 21⅝ | 14⅞ | 10,226 | 3.0 |
| Amer T & T | | 42½xd | +⅛ | 42½ | 33⅛ | 56,620 | 2.9 |
| Ameritech | | 52¼ | -½ | 54½ | 46 | 22,877 | 4.5 |
| BankAmerica | | 30[illegible]xd | +⅛ | 38[illegible] | 27⅛ | 10,654 | 2.9 |
| Bankers NY | | 52[illegible]xd | — | 52⅛ | 42⅝ | 4,178 | 3.8 |
| Bell Atlantic | | 38 | -⅛ | 38½ | 32⅛ | 16,942 | 4.3 |
| BellSouth | | 37¼ | — | 39⅞ | 32⅞ | 18,401 | 4.7 |
| Bethlehem Steel | ♥ | 12¼xd | +⅛ | 13¼ | 10 | 1,108 | - |
| Bowater | | 1408pxd | +20 | 1682p | 1267p | 510.6 | 1.8 |
| CPC | | 28¼xd | +⅛ | 34⅝ | 28 | 4,259 | 2.9 |
| California Engy | | 1234p | — | 1479p | 1068p | 224.7 | - |
| Chase Manhattan | | 22⅛xd | +⅛ | 24½ | 17⅞ | 3,482 | 3.4 |
| Chrysler | | 31[illegible]xd | -⅛ | 32⅛ | 21¼ | 9,362 | 1.2 |
| Citicorp | | 21⅛xd | +⅛ | 21⅛ | 13[illegible] | 7,813 | - |
| Colgate-Palm | | 39⅛xd | +⅛ | 40⅞ | 35⅛ | 6,286 | 2.3 |
| Cont'l Bank | | 1628p | -49 | 1677p | 1278p | 1,046 | 2.3 |
| Dana | | 38xd | +¼ | 38[illegible] | 28[illegible] | 1,663 | 2.8 |
| Data General | | 827p | — | 951p | 587p | 173.0 | - |
| Decora Inds | ♥ | 135p | — | 146p | 109p | - | - |
| Dun & Brad | | 39⅞ | — | 42⅞ | 37⅛ | 7,107 | 3.9 |
| Eaton | h | 29½ | +⅛ | 31⅛ | 25[illegible] | 2,046 | 2.3 |
| Ecolin | | 19⅞xd | +⅛ | 19[illegible] | 15[illegible] | 1,114 | 2.3 |
| FPL | | 25⅝xd | — | 27⅝ | 23¼ | 4,780 | 6.0 |
| Ford Motor | | 33[illegible]xd | -1⅛ | 36½ | 28⅞ | 16,505 | 1.9 |
| Gen Elect | | 65⅝xd | +⅛ | 65⅞ | 53⅞ | 56,289 | 2.4 |
| General Host | ♥ | 545p | +13 | 723p | 513p | - | 4.1 |
| Gillette | | 37¼xd | +⅛ | 42⅞ | 31⅞ | 8,186 | 1.4 |
| Hasbro | | 26⅞ | — | 26⅞ | 20⅞ | 1,619 | 0.7 |
| Honeywell | | 25½xd | -⅛ | 25⅝ | 20[illegible] | 3,485 | 2.2 |
| Houston Inds | | 36 | -⅛ | 33¼ | 28¼ | 3,086 | 6.3 |
| Ingersoll-Rand | | 22xd | +⅛ | 25 | 19⅛ | 2,298 | 2.0 |
| Lockheed | | 44⅛ | -⅛ | 44¼ | 35⅛ | 2,707 | 3.0 |
| Lowe's | h | 2576p | -61 | 2617p | 1573p | 1,678 | 0.7 |
| Maxtor Technology | | 127p | — | 203p | 127p | - | - |
| Merrill Lynch | | 57[illegible]xd | +⅞ | 57[illegible] | 37 | 6,963 | 1.3 |
| Morgan (JP) | | 49⅛xd | +⅛ | 49⅛ | 38⅛ | 9,424 | 3.1 |
| Morris (Philip) | | 33½xd | +¼ | 52⅛ | 28[illegible] | 30,615 | 4.9 |
| NYNEX | | 61⅛ | -⅛ | 64⅛ | 52¼ | 12,625 | 4.8 |
| Pall | | 11⅞xd | — | 15 | 11 | 1,275 | 1.7 |
| Pennzoil | | 42xd | -⅛ | 44⅛ | 31[illegible] | 1,711 | 4.5 |

[illegible]

### CANADIANS

[illegible]

### BANKS

[illegible]

### BREWERS & DISTILLERS

[illegible]

### BUILDING MATERIALS

[illegible]

### BUILDING MATERIALS - Cont.

[illegible]

### BUSINESS SERVICES

[illegible]

### CHEMICALS

[illegible]

### CONGLOMERATES

[illegible]

### CONTRACTING & CONSTRUCTION

[illegible]

### CONTRACTING & CONSTRUCTION - Cont.

[illegible]

### ELECTRICALS

[illegible]

### ELECTRICITY

[illegible]

### ELECTRONICS

[illegible]

### ENGINEERING-AEROSPACE

[illegible]

### ENGINEERING-GENERAL

[illegible]

### ENGINEERING-GENERAL - Cont.

[illegible]

### FOOD MANUFACTURING

[illegible]

### FOOD RETAILING

[illegible]

### HEALTH & HOUSEHOLD

[illegible]

### HOTELS & LEISURE

[illegible]

### HOTELS & LEISURE - Cont.

[illegible]

### INSURANCE BROKERS

[illegible]

### INSURANCE COMPOSITE

[illegible]

### INSURANCE LIFE

[illegible]

### INVESTMENT TRUSTS

[illegible]

### INVESTMENT TRUSTS - Cont.

[illegible]

## INVESTMENT TRUSTS - Cont.

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## INVESTMENT COMPANIES

## MEDIA

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

| | | | | | | |
|---|---|---|---|---|---|---|
| Greenwich Res ..........‡□ | 19½ | — | 22¼ | 5 | 15.2 | – |
| Hemlo Gold C$ .......... | £7½ | — | £7¾ | £3½ | 726.7 | 1.2 |
| Ivernia West I£ ..........‡‡□ | 41 | — | 57 | 31 | 20.8 | – |
| Kells Mins I£ ..........‡‡ | 13 | — | 13 | 6 | 0.31 | – |
| Kenmare ..........‡□ | 9 | — | 13½ | 6 | 9.01 | – |
| Malinga Res. .......... | 14 | — | 25½ | 13½ | 1.54 | – |
| Navan Res I£ ..........‡ | 91 | +4½ | 100 | 25 | 15.5 | – |
| 5pc Ln Notes .......... | 86½ | — | 94¾ | 25 | 15.6 | – |
| Oryx Gold .......... | 76⅜ | — | 76⅛ | 47 | – | – |
| ‡‡Ovoca Res I£ .......... | 3½ | — | 3½ | 3½ | 0.24 | – |
| RTZ ..........‡♦□ | 680 | +1 | 709 | 607 | 7,024 | 3.8 |
| Viscaya ..........‡ | 5¾xr | — | 5¼ | 2¾ | 3.08 | – |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

## FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ‡ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT5855. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

## FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** *Also called redemption price.* The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

***SCHEME PARTICULARS AND* REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071-407 5966

| | Init Charge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Income | 5 | 395.59 | 395.59 | 420.84 | -0.07 | 5.60 |
| Global Inc | 5 | 61.57 | 61.57 | 65.6 | -0.43 | 4.2 |
| Brit Leaders | 6 | 309.29 | 309.29 | 325.84 | -0.11 | 2.98 |
| Intl Leaders | 5 | 194.31 | 194.31 | 208.71 | -0.49 | 2.18 |
| FJap Nat Rd Gearfar | 9.34 | 55.01 | 58.54 | 58.74 | -0.24 | 0.63 |

## Singer & Friedlander UT Mngmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

| | Init Charge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| European Trust | 6 | 53.16 | 53.53 | 56.73 | +0.31 | 1.10 |
| Far Eastern Tst | 6 | 62.66 | 63.66xd | 67.79 | +0.39 | 0.27 |
| Smaller Cos | 5 | 158.6 | 160.5 | 170.7 | — | 1.52 |

## Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

| | Init Charge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| S & W American | 5 | 269.0 | 269.5 | 284.1 | +1.4 | 0.81 |
| S & W Capital | 5 | 119.0 | 119.0 | 127.6 | -0.7 | 1.59 |
| S & W Cash | 0 | 101.37 | 101.37 | 101.37 | +0.03 | 5.32 |
| S & W European | 5 | 113.8 | 113.8xd | 120.3 | -0.2 | 0.93 |
| S & W Far Eastern | 5 | 148.1 | 148.4 | 158.1 | -0.4 | 0.00 |
| S & W Growth | 5 | 125.2 | 127.1 | 134.5 | -0.9 | 1.26 |
| S & W Income | 5 | 115.2 | 116.4 | 122.1 | -0.1 | 4.54 |
| S & W Magnum | 5 | 123.8 | 123.8xd | 132.8 | -0.7 | 1.62 |
| S & W Smlr Secs | 5 | 321.9 | 328.6 | 347.9 | -1.0 | 0.39 |
| S & W Thoroughbred | 5 | 146.2 | 146.2xd | 155.8 | -0.7 | 1.06 |

## Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

| | Init Charge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Cash | 1 | 49.85 | 49.85 | 50.35 | — | 5.3 |
| Capital Prfrance | 5½ | 56.75 | 57.11 | 60.51 | +0.02 | 7.7 |
| Ethical | 5½ | 52.33 | 53.21 | 56.60 | -0.06 | 3.9 |
| European Growth | 5½ | 59.40 | 59.75xd | 63.75 | +0.50 | 2.9 |
| Income | 5½ | 52.49 | 52.97 | 56.44 | -0.01 | 5.7 |
| Intl Growth | 5½ | 62.14 | 62.64 | 66.14 | +0.50 | 2.9 |
| Managed | 5½ | 69.97 | 70.70xd | 75.41 | +0.20 | 3.8 |
| UK Growth | 5½ | 54.19 | 56.90 | 60.58 | -0.06 | 4.4 |

## Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

| | Init Charge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Managed Acc | 5¼ | 44.01 | 44.01 | 46.77 | -0.1 | 1.65 |
| UK Equity Gth Acc | 5¼ | 58.41 | 58.49 | 63.18 | -0.2 | 1.56 |
| UK Eq High Inc Inc | 6¼ | 35.32 | 35.32 | 37.53 | — | 3.85 |
| UK Eq High Inc Acc | 6¼ | 41.95 | 41.95 | 44.58 | — | 3.85 |
| UK Equity Gen Acc | 6¼ | 53.24 | 54.23 | 57.62 | -0.3 | 2.29 |
| UK Equity Gen Inc | 6¼ | 40.31 | 41.06 | 43.63 | -0.2 | 2.29 |
| UK Larger Cos Acc | F 7½ | 366.0 | 370.9 | 402.5 | -1.8 | 3.80 |
| UK Larger Cos Inc | F 7½ | 281.1 | 284.8 | 309.1 | -1.4 | 3.80 |
| Gilt & Fxd Int Inc | 6¼ | 31.16 | 31.24 | 33.04 | +0.1 | 8.36 |

## Fidelity Investment Services Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Exempt American Portfolio | 141.0 | 143.4xd | -0.80 | 0.00 |
| Mngd Pens P'folio | 175.0 | 179.9 | -0.10 | 0.00 |

## Fledgeling Charity Portfolio
25 Copthall Avenue EC2R 7DR 071-638 5858

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Equity | £1.1096 | 1.1492 | -0.0045 | 3.91 |
| Bond | £1.0446 | 1.0694 | +0.0029 | 8.50 |

## Robert Fleming Asset Mngmt Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Am Exempt | $825.44 | 834.49 | +2.23 | 1.58 |
| Gen Exempt | £150.57 | 158.98 | -0.06 | 3.30 |
| Jap Exempt | $807.37 | 818.19 | +0.38 | 1.04 |
| Pacific Exempt | $152.82 | 162.06 | -1.00 | 1.68 |
| Doall Euro Exempt | £121.74 | 124.10 | -0.18 | 2.38 |

## Foreign & Colonial Unit Management Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Balanced Acc Jul 6 | 184.7 | 192.1 | -1.9 | 2.84 |
| Balanced Inc Jul 6 | 181.5 | 188.7 | -1.8 | 2.84 |
| Latin American Acc Jul 7 | 102.7 | 103.9 | -1.4 | 1.84 |

## Funds in Court*

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Capital May 27 | 561.78 | 585.94 | — | 3.72 |
| Gross May 27 | 205.77 | 207.43 | — | 10.14 |
| High Yield May 27 | 338.00 | 340.71 | — | 7.84 |

* Restricted to monies under Court control

## Govett (John) Unit Mngmt Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Exempt | 109.28 | 113.15 | -0.12 | 3.80 |

## Henderson Unit Trust Management Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Pensions Mngd | 82.02 | 83.29 | -0.05 | 2.75 |
| Henderson TR | | | | |
| Ex European | 1331.42 | 1338.83 | +1.99 | 1.65 |
| Ex Nth American | 1407.31 | 1427.98 | -9.25 | 0.71 |
| Ex Pacific Basin | 958.02 | 970.15 | +4.73 | 0.61 |
| Ex Smaller Cos Inc | 1955.90 | 2088.82 | -2.41 | 2.51 |
| Ex Smaller Cos Acc | 2095.75 | 2214.58 | -2.59 | 2.51 |

## INVESCO Asset Management Ltd

Exempt Funds

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Asia & Australasia | £3.1818 | 3.2400xd | — | — |
| Far Eastern | £2.2380 | 2.2730 | — | — |
| Intl Mngd P'Folio (100%-1) | £1.5450 | 1.6400 | — | — |
| Mngd Pens (Acc) | £0.8658 | 0.9200 | — | — |
| North American | £2.5570 | 2.5820 | — | — |
| Smaller Companies | £1.4370 | 1.4500 | — | — |
| UK Cos | £1.0600 | 1.0250 | — | — |

# INSURANCES

# OTHER UK UNIT TRUSTS

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

| | Bid Price | Offer Price | + or - | Yield Grss |
|---|---|---|---|---|
| **Providence Capitol Life Assc. Co Ltd - Contd.** | | | | |
| Alpha Pension Funds | | | | |
| UK Alpha | | 227.8 | -0.4 | - |
| US Alpha | | 122.8 | -0.3 | - |
| Gilt Alpha | | 87.7 | +0.1 | - |
| Gold Alpha | | 101.0 | +2.0 | - |
| Japan Alpha | | 48.0 | +0.8 | - |
| US Dollar Alpha | | 77.8 | -0.3 | - |
| Yen Alpha | | 81.7 | +0.3 | - |
| DM Alpha | | 86.8 | +0.2 | - |
| European Alpha | | 90.0 | +0.1 | - |
| **Provident Life Assoc Ltd** | | | | |
| Provident Way, Basingstoke RG21 2SZ 0256 470707 | | | | |
| Gold Range (Pensions) | | | | |
| Managed Fund | | 196.9 | -0.6 | - |
| **Provident Mutual Life Assc. Assn.** | | | | |
| 6 Hills Way Stevenage Herts SG1 2ST 0438 732000 | | | | |
| Managed Ord | 418.9 | 440.9 | -0.5 | - |
| Managed Init | 295.6 | 311.2 | -0.3 | - |
| Equity Ord | 620.2 | 652.8 | -7.9 | - |
| Equity Init | 437.7 | 460.7 | -1.4 | - |
| Index Linked Gilt Ord. | 196.8 | 207.2 | +0.4 | - |
| Index Linked Gilt Init | 145.1 | 152.7 | +0.3 | - |
| Overseas Equity Ord | 341.7 | 359.7 | +0.9 | - |
| Overseas Equity Init | 241.1 | 253.8 | +0.5 | - |
| Property Ord | 229.1 | 241.2 | — | - |
| Property Init | 161.7 | 170.2 | — | - |
| Fixed Interest Ord | 267.4 | 281.5 | +0.3 | - |
| Fixed Interest Init | 188.7 | 198.6 | +0.2 | - |
| Deposit Ord | 197.2 | 207.6 | +0.1 | - |
| Deposit Init | 139.1 | 146.4 | — | - |
| Pension Funds | | | | |
| Managed Ord | 552.9 | 582.0 | -0.6 | - |
| Managed Init | 390.2 | 410.7 | -0.5 | - |
| Equity Ord | 844.2 | 888.6 | -3.2 | - |
| Equity Init | 595.7 | 627.1 | -2.3 | - |
| Pen Ind Lkd Gilt Ord | 224.2 | 236.0 | +0.4 | - |
| Pen Ind Lkd Gilt Init | 165.3 | 174.0 | +0.3 | - |
| Overseas Equity Ord | 398.3 | 419.3 | +1.2 | - |
| Overseas Equity Init | 281.1 | 295.9 | +0.8 | - |
| Property Ord | 293.1 | 308.5 | +0.1 | - |
| Property Init | 206.8 | 217.7 | — | - |
| Fixed Interest Ord | 348.2 | 366.5 | +0.4 | - |
| Fixed Interest Init | 245.7 | 258.6 | +0.3 | - |
| Deposit Ord | 288.9 | 304.1 | — | - |
| Deposit Init | 203.9 | 214.6 | +0.1 | - |

| | Bid Price | Offer Price | + or - | Yield Grss |
|---|---|---|---|---|
| **Scottish Amicable** | | | | |
| 150 St Vincent St, Glasgow 041-248 2323 | | | | |
| Life Funds (First Series) | | | | |
| Managed | 408.2 | 429.7 | +1.20 | - |
| Equity | 607.1 | 533.8 | +2.30 | - |
| Property | 243.8 | 256.7 | | - |
| International | 406.2 | 427.8 | +0.50 | - |
| Japanese | 116.4 | 122.6 | +1.10 | - |
| Asia Pacific | 140.5 | 147.9 | -1.30 | - |
| European | 109.4 | 115.2 | +0.10 | - |
| American | 147.5 | 155.3 | -0.40 | - |
| Fixed Interest | 347.8 | 366.2 | -0.10 | - |
| Index-Linked Gilt | 188.7 | 198.7 | +0.30 | - |
| Cash | 220.6 | 232.3 | — | - |
| Life Funds (Second Series) | | | | |
| Managed | 113.7 | 119.7 | +0.40 | - |
| Equity | 109.0 | 114.8 | +0.40 | - |
| Property | 102.6 | 107.9 | | - |
| International | 125.6 | 132.3 | +0.30 | - |
| Japanese | 118.8 | 123.0 | +1.20 | - |
| Asia Pacific | 137.8 | 145.1 | -1.30 | - |
| European | 108.5 | 114.3 | +0.10 | - |
| American | 144.2 | 151.8 | -0.40 | - |
| Fixed Interest | 130.9 | 137.8 | — | - |
| Index-Linked Gilt | 120.8 | 127.2 | +0.30 | - |
| Cash | 109.5 | 115.3 | — | - |
| Pension Funds | | | | |
| Building Society | 174.0 | 183.2 | — | - |
| Managed (Init) | 235.7 | 248.2 | +0.90 | - |
| Managed (Acc) | 459.1 | 483.4 | +1.80 | - |
| Equity (Init) | 263.4 | 277.3 | +1.40 | - |
| Equity (Acc) | 524.3 | 551.9 | +3.00 | - |
| Property (Init) | 148.1 | 155.9 | — | - |
| Property (Acc) | 294.8 | 310.2 | +0.10 | - |
| International (Init) | 240.8 | 253.5 | +0.30 | - |
| International (Acc) | 479.2 | 504.5 | +0.80 | - |
| Fixed Interest (Init) | 230.8 | 243.0 | -0.10 | - |
| Fixed Interest (Acc) | 459.4 | 483.6 | — | - |
| Cash (Init) | 153.9 | 162.0 | -0.10 | - |
| Cash (Acc) | 306.3 | 322.5 | — | - |
| Others | | | | |
| Capital Guarantee Bond | 98.9 | 104.2 | +0.20 | - |
| **Scottish Equitable Life Assce. Soc.** | | | | |
| 28 St Andrew Sq, Edinburgh 031-556 9101 | | | | |
| Mixed | 228.4 | 240.5 | +0.4 | - |
| UK Equity | 214.2 | 225.5 | +0.8 | - |

**Sun Alliance Group - Contd.**

## OFFSHORE INSURANCES

**AXA Equity & Law Intl Life Assce Co**

**Albany International Assurance Ltd**

**Royal Skandia Life Assurance Ltd - Contd.**

**Equitable International Fund Managers Ltd**

**Guinness Flight Fd Mngrs (Guernsey) Ltd**

**Merrill Lynch Guernsey**

**Nikko Capital Mngt (Europe) Ltd**

**Quilter International Management Ltd**

**J. Rothschild International Assce plc**

## MANAGEMENT SERVICES

## ISLE OF MAN (SIB RECOGNISED)

## IRELAND (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## GUERNSEY (REGULATED)(**)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Midland Bank Fund Managers (Jersey) Ltd** | | | | | | |
| PO Box 26, St Helier, Jersey 0534 606000 | | | | | | |
| Intl Circuit Portfolio | 6 | | 1.2464 | 1.3217 | | 0.09 |
| Gilt | 3 | | 1.0037 | 1.0349 | | 7.73 |
| **Prudential Fund Managers (Jersey) Ltd** | | | | | | |
| PO Box 163, St Helier, Jersey 0534 70009 | | | | | | |
| Income (A & B) | 5 | 212.3 | 212.3 | 223.0 | -0.5 | 3.45 |
| Growth (C & D) | 5 | 319.8 | 319.8 | 335.8 | -0.9 | - |
| **Royal Trust Jsy Fd Mngt Ltd (1400)F** | | | | | | |
| PO Box 428, St Helier, Jersey 0534 27441 | | | | | | |
| Govt Secs Fd | 4 | 55.92 | 55.92xd | 58.21 | +0.04 | 7.36 |
| **Standard Bank Fund Mngmt (Jersey) Ltd** | | | | | | |
| PO Box 583, St Helier, Jersey CI 0534 67557 | | | | | | |
| International Bond | 5 | | 16.03 | 16.94 | +0.08 | 4.85 |
| Sterling Cap | | | 42.65 | 42.65 | +0.01 | 5.30 |
| **TSB Trust Funds (CI)** | | | | | | |
| PO Box 538, St Helier, Jersey 0534 503082 | | | | | | |
| TSB Offshore Investment Fund Ltd | | | | | | |
| Stg Deposit Class | 3 | 101.40 | 101.40xd | 104.44 | | 5.00 |
| Gilt & Fixed Interest | 3 | 118.98 | 118.98xd | 123.39 | +0.32 | 7.57 |
| Blue Chip & Gilt Edged | 5 | 58.68 | 60.21 | 63.38 | -0.48 | 3.60 |
| International Bond | 5 | 138.33 | 138.33 | 145.44 | +0.84 | 4.87 |
| UK Equity | 5 | 263.40 | 261.89 | 276.67 | -1.59 | 1.36 |
| International Equity | 5 | 180.76 | 183.44 | 193.09 | +0.68 | 0.36 |
| Far Eastern | 5 | 176.23 | 176.52 | 185.82 | +2.45 | 0.00 |
| European | 5 | 127.82 | 128.58 | 135.32 | +1.47 | 0.00 |
| Pan American | 5 | 373.32 | 377.41 | 397.27 | +1.91 | 0.00 |

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Banque Scandinave a Luxembourg SA - Contd.** | | | | | | |
| Scandifond Bond Fund | | | | | | |
| Bond Int. Acc | | $- | 12.24 | 12.37 | +0.03 | 6.64 |
| Europa Bond Acc | | £- | 1.50 | 1.53 | -0.07 | 7.16 |
| Bond DEM Acc | | DM- | 1.24 | 1.38 | -0.01 | 6.64 |
| Bond USD Acc | | $- | 1.42 | 1.44 | - | 5.79 |
| Bond Sweden Acc | | SKr- | 16.66 | 16.72 | -0.02 | 10.10 |
| Scandifond International Sicav | | | | | | |
| Intl Emerging Markets | 5 | $- | 1.06 | 1.12 | - | - |
| **Barclays Diversified Portfolio** | | | | | | |
| 14 rue Aldringen L-1118 352 4799 2930 | | | | | | |
| IPB Deutschmark Reserve | | DM- | 31.57 | - | - | - |
| IPB Sterling Reserve | | £- | 10.39 | - | - | - |
| IPB Swiss Franc Reserve | | SFr- | 30.64 | - | - | - |
| IPB US Dollar Reserve | | $- | 20.36 | - | - | - |
| IPB European Bond | | Ecu- | 17.88 | - | - | - |
| IPB North American Bond | | $- | 21.38 | - | - | - |
| IPB Espana | | Pta- | 2787 | - | - | - |
| IPB Europe | | Ecu- | 18.19 | - | - | - |
| IPB Japan | | $- | 27.73 | - | - | - |
| IPB Pacific Rim | | $- | 23.11 | - | - | - |
| IPB United Kingdom | | £- | 11.04 | - | - | - |
| IPB United States | | $- | 21.71 | - | - | - |
| **Barclays Inv Funds (Luxembourg)** | | | | | | |
| 41 Avenue de la Gare L-1611 010 352 404344 | | | | | | |
| Equity Funds | | | | | | |
| European Equity | 5¼ | £- | 0.928 | 0.987 | +0.002 | 0.3 |
| Intl Equity | 5¼ | £- | 1.459 | 1.551 | +0.002 | 0.5 |
| North Am Eqty | 5¼ | $- | 33.98 | 36.12 | +0.09 | 0.3 |
| Pacific Eq | 4¾ | $- | 6.285 | 6.680 | -0.04 | 0.5 |
| UK Equity | 5¼ | £- | 1.102 | 1.172 | -0.001 | 2.8 |

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Kleinwort Benson Japanese Warrant Fund** | | | | | | |
| 14 rue Aldringen Luxembourg 010 352 4796-1 | | | | | | |
| NAV | | $- | 7.539 | | - | - |
| **Kleinwort Benson Select Fund (u)** | | | | | | |
| 14 Rue Aldrigen L-1118 Luxembourg 010 352 47961 | | | | | | |
| British | | Ecu- | 2.74 | 2.91 | - | - |
| Emerging Asia | | Ecu- | 2.38 | 2.52 | - | - |
| European | | Ecu- | 2.03 | 2.15 | - | - |
| Japanese | | Ecu- | 2.09 | 2.23 | - | - |
| Kanaalia World | | FM- | 16.78 | 17.82 | - | - |
| North American | | Ecu- | 2.53 | 2.68 | - | - |
| Dollar Bond | | $- | 2.10 | 2.21 | - | - |
| International Bond | | Ecu- | 2.51 | 2.64 | - | - |
| European Bond | | Ecu- | 3.26 | 3.42 | - | - |
| Convertible Bond | | Ecu- | 2.37 | 2.49 | - | - |
| Yen Bond | | Y- | 360.77 | 378.85 | - | - |
| **Latin American Mngmt Group Ltd (u)** | | | | | | |
| Exchange Hs, Primrose St, Ldn, EC2A 2NY 071-638 1234 | | | | | | |
| Argentinian Inv Co | | $- | 16.97 | | - | - |
| Brazilian Inv Co SICAV | | $- | 23.83 | | -0.55 | - |
| Latin Am Income Co SICAV | | $- | 10.04 | | - | - |
| Latin Amer Inv Co SICAV | | $- | 8.34 | | -0.07 | - |
| Mexican Inv Co SICAV | | $- | 31.00 | | -0.01 | - |
| **Liberty ALL-STAR World Ptfolio-Eqty Fd(u)** | | | | | | |
| 2 boulevard Royal, Luxembourg 010 352 46901 | | | | | | |
| NAV (x) | | $- | 11.23 | | -0.04 | - |
| **Lloyds Bank Luxembourg** | | | | | | |
| 1, Rue Schiller, Luxembourg 010 352 4022121 | | | | | | |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Wells Fargo U.S. IT Fund** | | | | |
| Wells Fargo A Shs (x) | $12.80 | | +0.04 | - |
| Wells Fargo B Shs (x) | $13.56 | | +0.09 | - |
| **Worldwide Limited** | | | | |
| NAV Jan 30 | $80.20 | | - | - |
| **Xiphias International Investment Fd Ltd** | | | | |
| Xiphias Int US$ Acc | $1.2830 | | - | - |
| Xiphias Int ECU Acc | Ecu1.2189 | | - | - |
| Xiphias Int ECU Dis | Ecu1.1755 | | - | - |
| **Yamaichi Capital Mngmt (Guernsey) Ltd** | | | | |
| Thai Inv Fund | $13.19 | | - | - |

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. k Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ± Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Lull in Franc drama

ALL EYES were on the French franc when the European markets opened yesterday, but those expecting high drama were disappointed, *writes Stephanie Flanders.*

The French currency was still weak in early European trading, but was able to fluctuate between DM3.410 and DM 3.415 level for the most of the day without any concerted effort by speculators to take it lower. The franc closed at DM3.414, slightly up on yesterday's close of DM3.416.

The only visible move by either the French or the German authorities was the Bundesbank's announcement of a variable repo rate for today's German market trading. This had been widely expected, leaving the markets to wait to see whether the German central bank will ease policy in the coming days.

Most traders thought that there would have been little point in further interventions today by the Bank of France or the Bundesbank. This was because pressure on the franc was not at a critical point where strategic defensive purchases by the authorities could turn a currency's prospects around. If anything, speculators were suspending judgment on the franc until later in the week.

"What we are seeing is the same old war of attrition between the markets and the authorities," said Ms Alison Cottrell at Midland Global Markets. Many traders expect the Bundesbank to reduce the repo rate tomorrow by 4 to 5 basis points, but Ms Cottrell does not think that many traders are lining up to make dramatic assaults on the franc before the Bundesbank council meeting tomorrow. "There's too much chance of getting one's fingers burnt", she said.

Sterling received an unexpected boost yesterday from favourable domestic output figures released during the morning. Immediately following the announcement, the British currency gained more than a pfennig against the D-Mark, closing even higher at DM2.570, against yesterday's close of DM2.555. It was also strong against the dollar, jumping more than 1½ cents before closing at $1.493, up from the previous day's $1.4775.

Meanwhile the dollar had lost ground during the day, thanks to some relaxing of tensions within the ERM and official data showing a surprise 0.3 per cent fall in US wholesale prices for June.

"The US data showed that concerns about an imminent tightening by the Federal Reserve were misplaced," said Mr Julian Callow of Kleinwort Benson in London. "This has taken some of the gloss off the dollar, but the knowledge that European rates are set to fall makes a bigger fall against the D-Mark unlikely." The US currency closed at DM1.721, down from yesterday's European close of DM1.729.

The Danish crown suffered alongside the French currency. Dealers in Denmark said they did not expect central bank intervention unless the crown fell to its floor.

### £ IN NEW YORK

| Jul 13 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.4925-1.4935 | 1.4765 1.4775 |
| 1 month | 0.38-0.37pm | 0.40 0.39pm |
| 3 months | 1.02-1.01pm | 1.02 1.00pm |
| 12 months | 3.03-2.95pm | 3.03 2.93pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Jul 13 | Previous |
|---|---|---|
| 8.30 am | 80.7 | 81.0 |
| 9.00 am | 80.8 | 81.0 |
| 10.00 am | 80.8 | 81.0 |
| 11.00 am | 80.9 | 81.1 |
| Noon | 81.2 | 81.0 |
| 1.00 pm | 81.2 | 81.0 |
| 2.00 pm | 81.3 | 80.9 |
| 3.00 pm | 81.2 | 80.8 |
| 4.00 pm | 81.2 | 80.8 |

### CURRENCY RATES

| Jul 13 | Bank ‡ rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.932699 | 0.760894 |
| U.S Dollar | 3.00 | 1.37825 | 1.13274 |
| Canadian $ | 4.73 | 1.78223 | 1.44764 |
| Austrian Sch | 6.25 | 16.8215 | 13.7424 |
| Belgian Franc | 6.00 | 49.3034 | 40.2805 |
| Danish Krone | 7.25 | 9.28596 | 7.59107 |
| D-Mark | 6.75 | 2.38975 | 1.95228 |
| Dutch Guilder | 6.00 | 2.68511 | 2.19593 |
| French Franc | 10 | 8.13581 | 6.65279 |
| Italian Lira | 10.00 | 2189.36 | 1795.97 |
| Japanese Yen | 2.50 | 151.263 | 123.239 |
| Norway Krone | - | 10.1846 | 8.30470 |
| Spanish Peseta | - | 183.293 | 150.859 |
| Swedish Krona | 11.50 | 11.1265 | 9.02909 |
| Swiss Franc | 4.50 | 2.11989 | 1.73280 |
| Greek Drach | 19 | N/A | 268.761 |
| Irish Punt | - | N/A | 0.809159 |

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jul 12

### CURRENCY MOVEMENTS

| Jul 13 | Bank of England Index | Morgan ** Guaranty Changes % |
|---|---|---|
| Sterling | 81.2 | -28.72 |
| U.S Dollar | 86.1 | -11.20 |
| Canadian Dollar | 94.6 | -7.55 |
| Austrian Schilling | 112.9 | +15.22 |
| Belgian Franc | 113.6 | +0.45 |
| Danish Krone | 114.6 | +9.54 |
| D-Mark | 121.8 | +29.66 |
| Swiss Franc | 111.8 | +20.53 |
| Dutch Guilder | 117.2 | +19.47 |
| French Franc | 106.6 | -9.05 |
| Lira | 81.1 | -33.58 |
| Yen | 180.3 | +118.34 |
| Peseta | 89.2 | -31.34 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Jul 12

### OTHER CURRENCIES

| Jul 13 | £ | $ |
|---|---|---|
| Argentina | 1.4880 - 1.4895 | 0.9990 - 1.0000 |
| Australia | 2.1930 - 2.1950 | 1.4720 - 1.4730 |
| Brazil | 90313.5 - 90315.0 | 60633.5 - 60634.6 |
| Finland | 8.5875 - 8.6155 | 5.7640 - 5.7840 |
| Greece | 345.100 - 352.100 | 233.280 - 238.000 |
| Hong Kong | 11.5505 - 11.5650 | 7.7555 - 7.7565 |
| Iran | 2361.00 - 2363.00 | 1595.00 - 1597.00 |
| Korea(Sth) | 1181.85 - 1200.70 | 803.00 - 809.40 |
| Kuwait | 0.44890 - 0.44950 | 0.30180 - 0.30190 |
| Luxembourg | 52.95 - 53.05 | 35.45 - 35.55 |
| Malaysia | 3.8255 - 3.8325 | 2.5695 - 2.5705 |
| Mexico | 4.6580 - 4.6620 | 3.1280 - 3.1300 |
| N.Zealand | 2.7065 - 2.7125 | 1.8185 - 1.8210 |
| Saudi Ar | 5.5845 - 5.5980 | 3.7495 - 3.7505 |
| Singapore | 2.4095 - 2.4155 | 1.6180 - 1.6190 |
| S.Af (Cm) | 4.9900 - 5.0025 | 3.3510 - 3.3525 |
| S.Af (Fn) | 6.8740 - 6.8890 | 4.6150 - 4.6250 |
| Taiwan | 39.55 - 39.70 | 26.55 - 26.65 |
| U.A.E. | 5.4670 - 5.4795 | 3.6715 - 3.6735 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Jul 13 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 192.854 | 187.254 | -2.90 | 5.13 | 49 |
| Spanish Peseta | 154.250 | 150.859 | -2.20 | 4.37 | 38 |
| Dutch Guilder | 2.19672 | 2.19593 | -0.04 | 2.11 | 26 |
| Irish Punt | 0.808628 | 0.809159 | 0.07 | 2.01 | 19 |
| Belgian Franc | 40.2123 | 40.2805 | 0.12 | 1.95 | 17 |
| D-Mark | 1.94964 | 1.95228 | 0.14 | 1.94 | 23 |
| French Franc | 6.53883 | 6.65279 | 1.90 | 0.16 | -79 |
| Danish Krone | 7.43679 | 7.59107 | 2.07 | 0.00 | -73 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Jul 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4735 - 1.4950 | 1.4930 - 1.4940 | 0.39-0.37cpm | 3.05 | 1.03-1.00pm | 2.72 |
| Canada | 1.8845 - 1.9085 | 1.9070 - 1.9080 | 0.33-0.22cpm | 1.73 | 0.82-0.69pm | 1.52 |
| Netherlands | 2.8675 - 2.9000 | 2.8875 - 2.8975 | 1/8-1/4cdis | -0.78 | 3/8-5/8dis | -0.69 |
| Belgium | 52.60 - 53.05 | 52.95 - 53.05 | 3-8cdis | -1.25 | 11-18dis | -1.09 |
| Denmark | 9.9050 - 9.9975 | 9.9875 - 9.9975 | 2¾-4¼oredis | -4.20 | 6¾-8⅝dis | -3.03 |
| Ireland | 1.0570 - 1.0650 | 1.0635 - 1.0645 | 0.04-0.07cdis | -0.62 | 0.10-0.15dis | -0.47 |
| Germany | 2.5500 - 2.5750 | 2.5675 - 2.5725 | ¼-⅜pfdis | -1.46 | ¾-⅞dis | -1.26 |
| Portugal | 244.25 - 247.00 | 246.00 - 247.00 | 123-133cdis | -6.23 | 316-350dis | -5.40 |
| Spain | 196.25 - 199.00 | 198.05 - 198.35 | 96-112cdis | -6.30 | 236-272dis | -5.13 |
| Italy | 2342.00 - 2386.50 | 2383.75 - 2384.75 | 6-8liredis | -3.55 | 19-22dis | -3.47 |
| Norway | 10.8400 - 10.9375 | 10.9275 - 10.9375 | par-1oredis | -0.55 | ⅜-2¼dis | -0.49 |
| France | 8.7000 - 8.7975 | 8.7700 - 8.7800 | 1¾-2¼cdis | -2.74 | 4⅛-4⅞dis | -2.05 |
| Sweden | 11.7775 - 11.8750 | 11.7975 - 11.8075 | 2-3⅝oredis | -2.86 | 5⅞-7½dis | -2.27 |
| Japan | 160.50 - 162.50 | 161.25 - 162.25 | ½-⅜ypm | 3.25 | 1¼-1pm | 2.83 |
| Austria | 17.94 - 18.10 | 18.07 - 18.10 | ⅝-1¼grodis | -0.79 | 1¾-3⅞dis | -0.62 |
| Switzerland | 2.2550 - 2.2750 | 2.2650 - 2.2750 | ⅜-⅛cpm | 1.32 | ⅞-⅝pm | 1.32 |
| Ecu | 1.3095 - 1.3185 | 1.3155 - 1.3165 | 0.22-0.26cdis | -2.19 | 0.55-0.62dis | -1.78 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.84-1.79pm . 12 Month 3.16-3.06pm.

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Jul 13 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4735 - 1.4950 | 1.4930 - 1.4940 | 0.39-0.37cpm | 3.05 | 1.03-1.00pm | 2.72 |
| Ireland† | 1.3915 - 1.4040 | 1.4025 - 1.4035 | 0.46-0.43cpm | 3.81 | 1.17-1.12pm | 3.26 |
| Canada | 1.2760 - 1.2785 | 1.2775 - 1.2785 | 0.14-0.16cdis | -1.41 | 0.36-0.40dis | -1.19 |
| Netherlands | 1.9330 - 1.9485 | 1.9360 - 1.9370 | 0.63-0.65cdis | -4.00 | 1.64-1.70dis | -3.45 |
| Belgium | 35.45 - 35.75 | 35.45 - 35.55 | 13.00-15.00cdis | -4.73 | 32.00-37.00dis | -3.89 |
| Denmark | 6.6800 - 6.7275 | 6.6875 - 6.6925 | 3.30-3.80oredis | -6.37 | 8.90-9.90dis | -5.62 |
| Germany | 1.7185 - 1.7325 | 1.7195 - 1.7205 | 0.65-0.66pfdis | -4.57 | 1.75-1.77dis | -4.09 |
| Portugal | 164.75 - 165.95 | 165.15 - 165.25 | 119-124cdis | -8.83 | 323-339dis | -8.01 |
| Spain | 132.60 - 133.40 | 132.85 - 132.95 | 99 -105cdis | -9.21 | 260-270dis | -7.98 |
| Italy | 1580.00 - 1590.00 | 1582.75 - 1583.25 | 8.65-8.85liredis | -6.63 | 23.50-25.50dis | -6.19 |
| Norway | 7.3050 - 7.3925 | 7.3175 - 7.3225 | 1.80-2.30oredis | -3.38 | 5.30-6.10dis | -3.11 |
| France | 5.8650 - 5.9125 | 5.8725 - 5.8775 | 2.40-2.70cdis | -5.21 | 6.30-6.80dis | -4.46 |
| Sweden | 7.8900 - 8.0475 | 7.9000 - 7.9050 | 3.50-4.10oredis | -5.77 | 9.50-10.50dis | -5.06 |
| Japan | 108.10 - 109.00 | 108.25 - 108.35 | par-0.02ypm | 0.11 | 0.02dis-0.01pm | -0.02 |
| Austria | 12.1050 - 12.1900 | 12.1225 - 12.1275 | 3.75-4.05grodis | -3.86 | 9.85-10.70dis | -3.39 |
| Switzerland | 1.5180 - 1.5315 | 1.5195 - 1.5205 | 0.20-0.23cdis | -1.70 | 0.53-0.59dis | -1.47 |
| Ecu† | 1.1255 - 1.1350 | 1.1335 - 1.1345 | 0.50 -0.49cpm | 5.24 | 1.28-1.26pm | 4.48 |

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Jul 13 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 6¼ - 6 | 6¼ - 6 | 6 1/16 - 5 15/16 | 6 - 5 15/16 | 5⅞ - 5¾ | 5⅞ - 5¾ |
| US Dollar | 3⅛ - 3 | 3⅛ - 3 | 3 3/16 - 3 1/16 | 3 5/16 - 3 3/16 | 3½ - 3⅜ | 3 13/16 - 3 11/16 |
| Can. Dollar | 4½ - 4¼ | 4½ - 4¼ | 4 9/16 - 4 7/16 | 4½ - 4⅜ | 4 13/16 - 4 11/16 | 5 3/16 - 4 15/16 |
| Dutch Guilder | 6 13/16 - 6 11/16 | 6 13/16 - 6 11/16 | 6 13/16 - 6 11/16 | 6⅝ - 6½ | 6⅜ - 6¼ | 6⅛ - 6 |
| Swiss Franc | 4⅝ - 4½ | 4⅝ - 4½ | 4 11/16 - 4 9/16 | 4 11/16 - 4 9/16 | 4⅝ - 4½ | 4½ - 4⅜ |
| D-Mark | 7 5/16 - 7 3/16 | 7 5/16 - 7 3/16 | 7 5/16 - 7 3/16 | 7¼ - 7⅛ | 7 - 6⅞ | 6¾ - 6⅝ |
| French Franc | 8¼ - 7¾ | 8¼ - 7¾ | 7⅞ - 7⅝ | 7⅝ - 7⅜ | 7⅛ - 6⅞ | 6 13/16 - 6 9/16 |
| Italian Lira | 11 - 9 | 9⅝ - 9¼ | 9½ - 9 | 9½ - 9 | 9¼ - 9 | 9⅛ - 8⅞ |
| Belgian Franc | 7⅜ - 7¼ | 7⅜ - 7¼ | 7⅜ - 7¼ | 7¼ - 7⅛ | 6⅞ - 6¾ | 6 9/16 - 6 7/16 |
| Yen | 3 5/16 - 3 3/16 | 3 5/16 - 3 3/16 | 3 5/16 - 3 3/16 | 3¼ - 3⅛ | 3 3/16 - 3 1/16 | 3 3/16 - 3 1/16 |
| Danish Krone | 8 - 7½ | 9¼ - 9 | 9¼ - 9 | 9⅛ - 8⅝ | 8⅜ - 7⅞ | 7⅞ - 7⅜ |
| Asian $Sing | 3¼ - 2¼ | 3¼ - 2¼ | 3½ - 2½ | 3½ - 2½ | 3¼ - 2¼ | 3¼ - 2¼ |
| Spanish Peseta | 11 3/16 - 11 1/16 | 11⅝ - 11⅜ | 11 3/16 - 11 1/16 | 11 1/16 - 10 15/16 | 10½ - 10¼ | 10 1/16 - 9 15/16 |
| Portuguese Esc | 12 - 11½ | 11¾ - 11¼ | 11¾ - 11¼ | 11¾ - 11¼ | 11½ - 11 | 11⅜ - 10⅞ |

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4 11/16-4 9/16 per cent; four years 5 1/16-4 15/16 per cent; five years 5⅜-5¼ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Jul 13 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.493 | 2.570 | 161.7 | 8.775 | 2.270 | 2.892 | 2364 | 1.907 | 53.00 | 198.2 | 1.316 |
| $ | 0.670 | 1 | 1.721 | 108.3 | 5.877 | 1.520 | 1.937 | 1583 | 1.277 | 35.50 | 132.8 | 0.881 |
| DM | 0.389 | 0.581 | 1 | 62.92 | 3.414 | 0.883 | 1.125 | 919.8 | 0.742 | 20.62 | 77.12 | 0.512 |
| YEN | 6.184 | 9.233 | 15.89 | 1000. | 54.27 | 14.04 | 17.88 | 14620 | 11.79 | 327.8 | 1226 | 8.139 |
| F Fr. | 1.140 | 1.701 | 2.929 | 184.3 | 10. | 2.587 | 3.296 | 2694 | 2.173 | 60.40 | 225.9 | 1.500 |
| S Fr. | 0.441 | 0.658 | 1.132 | 71.23 | 3.866 | 1 | 1.274 | 1041 | 0.840 | 23.35 | 87.31 | 0.580 |
| N Fl. | 0.346 | 0.516 | 0.889 | 55.91 | 3.034 | 0.785 | 1 | 817.4 | 0.659 | 18.33 | 68.53 | 0.455 |
| Lira | 0.423 | 0.632 | 1.087 | 68.40 | 3.712 | 0.960 | 1.223 | 1000. | 0.807 | 22.42 | 83.84 | 0.557 |
| C $ | 0.524 | 0.783 | 1.348 | 84.79 | 4.601 | 1.190 | 1.517 | 1240 | 1 | 27.79 | 103.9 | 0.690 |
| B Fr. | 1.887 | 2.817 | 4.849 | 305.1 | 16.56 | 4.283 | 5.457 | 4460 | 3.598 | 100. | 374.0 | 2.483 |
| Pta | 0.505 | 0.753 | 1.297 | 81.58 | 4.427 | 1.145 | 1.459 | 1193 | 0.962 | 26.74 | 100. | 0.664 |
| Ecu | 0.760 | 1.134 | 1.953 | 122.9 | 6.668 | 1.725 | 2.198 | 1796 | 1.449 | 40.27 | 150.6 | 1. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; LIFFE EURO MARK FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; PHILADELPHIA SE £/$ OPTIONS; PARIS

[illegible]

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls August | Calls September | Calls December | Puts August | Puts September | Puts December |
|---|---|---|---|---|---|---|
| 118 | - | 2.10 | - | 0.05 | 0.17 | 0.68 |
| 119 | - | 1.30 | - | 0.12 | 0.37 | 1.04 |
| 120 | 0.39 | 0.70 | 1.06 | 0.44 | 0.78 | - |
| 121 | 0.11 | 0.32 | 0.72 | - | 1.37 | - |
| 122 | 0.04 | 0.13 | 0.44 | - | - | - |
| Open int | 24,413 | 131,158 | 45,790 | 29,146 | 175,966 | 30,735 |

Estimated volume 62,627 † Total Open Interest 470,678

† All Yield & Open Interest figures are for the previous day.

Previous day's open int. 43135 (42753)

* Contracts traded on APT. Closing prices shown.

### POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4935 | 1.4897 | 1.4834 | 1.4754 | 1.4634 |

### BASE LENDING RATES

| | % |
|---|---|
| Adam & Company | 6 |
| Allied Trust Bank | 6 |
| AIB Bank | 6 |
| ●Henry Ansbacher | 6 |
| B & C Merchant Bank | 13 |
| Bank of Baroda | 6 |
| Banco Bilbao Vizcaya | 6 |
| Bank of Cyprus | 6 |
| Bank of Ireland | 6 |
| Bank of India | 6 |
| Bank of Scotland | 6 |
| Barclays Bank | 6 |
| Brit Bk of Mid East | 6 |
| ●Brown Shipley | 6 |
| CL Bank Nederland | 6 |
| Citibank NA | 6 |
| City Merchants Bank | 6 |
| Clydesdale Bank | 6 |
| The Co-operative Bank | 6 |
| Coutts & Co | 6 |
| Credit Lyonnais | 6 |
| Cyprus Popular Bank | 6 |
| Duncan Lawrie | 6 |
| Equatorial Bank plc | 6 |
| Exeter Bank Limited | 7 |
| Financial & Gen Bank | 7 |
| ●Robert Fleming & Co | 6 |
| Girobank | 6 |
| ●Guinness Mahon | 6 |
| Habib Bank AG Zurich | 6 |
| ●Hambros Bank | 6 |
| Heritable & Gen Inv Bk. | 6 |
| ●Hill Samuel | 6 |
| C. Hoare & Co | 6 |
| Hongkong & Shanghai | 6 |
| Julian Hodge Bank | 6 |
| ●Leopold Joseph & Sons | 6 |
| Lloyds Bank | 6 |
| Meghraj Bank Ltd | 6 |
| McDonnell Douglas Bk. | 6 |
| Midland Bank | 6 |
| Mount Banking | 6 |
| NatWestminster | 6 |
| Nykredit Mortgage Bnk | 6.5 |
| ●Rea Brothers | 6 |
| Roxburghe Bank Ltd | 6 |
| Royal Bk of Scotland | 6 |
| ●Smith & Williman Secs | 6 |
| Standard Chartered | 6 |
| TSB | 6 |
| ●United Bk of Kuwait | 6 |
| Unity Trust Bank Plc | 6 |
| Western Trust | 6 |
| Whiteaway Laidlaw | 6 |
| Wimbledon & Sth West | 7 |
| Yorkshire Bank | 6 |

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## MONEY MARKETS

# French rates unsettled

THE uncertainty surrounding the franc continued to unsettle the outlook for French money market rates yesterday, *writes Stephanie Flanders.*

In a widely expected move, the Bundesbank yesterday set a variable 14-day repo tender, switching back from last week's fixed rate pact. Traders now expect German central bank to allow some fall from last week's 7.30 per cent rate, in order to support the Franch authorities.

**UK clearing bank base lending rate 6 per cent from January 26, 1993**

Few traders now consider a cut in the German Lombard or discount rates to be very likely tomorrow, especially since the pressure on the franc seems to have lost some of its earlier momentum.

Once again, French money market rates caught some of the uncertainty. Three month rates closed at around 7.50 per cent, down from the previous close of 7.87 per cent. Earlier, trading had taken rates as low as 7.37 per cent.

Some considered the fall in three month money to reflect a realisation that there was little sense expecting France to increase interest rates at present, given the country's economic weakness. This view was supportedin a poll taken by IDEA, the London-based financial information company, showing that 78 per cent of the dealers polled did not think that the French would raise interest rates.

The Bank of England took the sting out of a moderate £900m shortfall in early round discount market dealing. The remaining shortage took somewhat longer to despatch, with the markets trading at close to 6 per cent throughout the day. Overnight rates conformed with this pattern, at 5¾ per cent.

Further out, the London money markets reacted with guarded optimism to the favourable domestic output figures announced in the morning. The 2 per cent rise in May industrial output and 1.8 per cent rise in manufacturing output were significantly higher than predicted. Although wary of reading too much into one, possibly rogue, figure, traders felt that the data had dented hopes of an imminent cut in interest rates.

"Optimists have looked forward with almost tunnel vision to a cut in rates, no matter what", said one London trader. "It is healthy that this has been punctured, but one output figure does not change the belief that rates will eventually fall".

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Jul 13) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3 5/16 | offer 3 7/16 | bid 3⅜ | offer 3½ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK**

| Lunchtime | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 6 | One month | 3.08 | Three year | 4.31 |
| Broker loan rate | 5 | Two month | 3.09 | Five year | 5.01 |
| Fed.funds | 3⅛ | Three month | 3.11 | Seven year | 5.38 |
| Fed.funds at intervention | - | Six month | 3.24 | 10-year | 5.74 |
| | | One year | 3.41 | 30-year | 6.62 |
| | | Two year | 4.07 | | |

| Jul 13 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.30-7.40 | 7.35-7.45 | 7.30-7.40 | 7.25-7.35 | 6.95-7.10 | 8.25 |
| Paris | 7 5/16-7 9/16 | 7 13/16-8¼ | - | 7⅜-7 13/16 | - | 6.75 |
| Zurich | 4½-4¾ | 4⅝-4¾ | - | 4 7/16-4 11/16 | - | - |
| Amsterdam | 7.00-7.12 | 6.98-7.03 | - | 6.80-6.88 | - | - |
| Tokyo | 3¼-3⅜ | - | - | - | - | - |
| Milan | 9¼-9⅝ | 9 3/16-9½ | - | 9⅜-9⅞ | - | - |
| Brussels | 7 3/16-7 7/16 | 7 3/16-7 7/16 | - | 6¾-6⅞ | - | - |
| Dublin | 6¼-6½ | 6⅜-6¾ | 6½-6⅝ | 6 7/16-6 9/16 | 6¼-6⅜ | - |

### LONDON MONEY RATES

| Jul 13 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 6¾ | 6⅛ | 6 1/16 | 6 | 5 15/16 | 5⅞ |
| Interbank Bid | 5⅞ | 5⅞ | 5 15/16 | 5⅞ | 5 13/16 | 5¾ |
| Sterling CDs | - | - | 6 | 5 13/16 | 5 13/16 | 5 13/16 |
| Local Authority Deps. | 5⅞ | 5⅞ | 5 15/16 | 5⅞ | 5¾ | 5¾ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 5 15/16 | 6 | - | - | - | - |
| Company Deposits | - | - | - | - | - | - |
| Finance House Deposits | - | - | 5 15/16 | 5 13/16 | 5 13/16 | 5 13/16 |
| Treasury Bills (Buy) | - | - | 5⅝ | 5⅝ | 5⅝ | - |
| Bank Bills (Buy) | - | - | 5 13/16 | 5⅝ | 5½ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 3.00 | 3.05 | 3.17 | 3.38 |
| SDR Linked Dep. Offer | - | - | 4 7/16 | 4 7/16 | 4⅜ | 4⅜ |
| SDR Linked Dep. Bid | - | - | 4 5/16 | 4 5/16 | 4¼ | 4¼ |
| ECU Linked Dep. Offer | - | - | 8 3/16 | 7 13/16 | 7 5/16 | 6⅞ |
| ECU Linked Dep. Bid | - | - | 8 1/16 | 7 11/16 | 7 3/16 | 6¾ |

Treasury Bills (sell); one-month 5 17/32 per cent; three months 5 [illegible] per cent; six months 5 [illegible] per cent; Bank Bills (sell): one-month 5⅝ per cent; three months 5⅞ per cent; [illegible] discount 5.1496 p.c. ECGD Fixed Rate Sterling Export Finance. [illegible] rates for period July 26, 1993 to Aug. 24, 1993 Scheme [illegible] May 29, 1993 to June 30, 1993, Scheme IV&V: 5.939 p.c. [illegible] days' notice, others seven days' fixed. Finance Houses Base Rate for sums at 7 days notice 5⅞ p.c. Certificates of Tax [illegible] over held under one month 2¾ p.c.; one-three months 5 [illegible] months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 [illegible] withdrawn for cash 1¼p.c.

## MONEY MARKET FUNDS

### Money Market Trust Funds

### Money Market Bank Accounts

[illegible]

Market Myths and Duff Forecasts for 1993

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# WORLD STOCK MARKETS

## CANADA

TORONTO

4 pm close July 13

Quotations in cents unless marked $

MONTREAL

4 pm close July 13

## INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

| | | | | | |
|---|---|---|---|---|---|
| WORLD | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 567.8* | 561.6 | 561.4 | 562.8 | 578.30 (3/6) | 488.90 (13/1) |
| Euro Top-100 (26/6/90) | 1034.35 | 1030.46 | 1025.69 | 1021.49 | 1034.35 (13/7) | 882.73 (13/1) |

**Saturday July 10: Taiwan Weighted Price; 4073.59, Korea Comp Ex. 769.67.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

## TOKYO - Most Active Stocks

Tuesday, July 13, 1993

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nikkatsu | 16.6m | 26 | -3 | Nippon Steel | 4.0m | 372 | +9 |
| Sumitomo Mtl Min | 10.4m | 1,100 | +40 | Cosmo Oil | 4.0m | 871 | +10 |
| Hitachi | 5.0m | 855 | +4 | NEC Corp | 4.0m | 978 | +26 |
| Kawasaki | 4.3m | 341 | +4 | Kawasaki Hvy Ind. | 3.5m | 415 | +2 |
| Sumitomo Mtl Ind. | 4.1m | 345 | +10 | Bk of Tokyo | 3.8m | 1,660 | +90 |

## JAPAN


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FINANCIAL TIMES

FAR MORE THAN FINANCE.

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*4 pm close July 13*

| 1993 High | 1993 Low | Stock | Div | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 14⅝ | 11½ | AAR Corp | 0.48 | 3.6 | 25 | 71 | 13½ | 13⅜ | 13½ | +⅛ |
| 29⅝ | 20 | A L Labs A | 0.18 | 0.7 | 44 | 161 | 25⅜ | 25⅛ | 25¼ | +⅜ |
| 63⅞ | 54⅜ | AMP Inc | 1.60 | 2.6 | 22 | 1278 | 62⅛ | 61⅝ | 62⅛ | +½ |
| 72¾ | 55½ | AMR | | | 9 | 8962 | 61½ | 60 | 61¼ | +¾ |
| 2¾ | 1¾ | ARX | | | 16 | 22 | 2⅝ | 2⅝ | 2⅝ | |
| 51½ | 29⅞ | ASA | 2.00 | 4.1 | 32 | 1073 | 48⅝ | 48 | 48½ | -⅜ |
| 30¾ | 22⅝ | Abbott Lab | 0.68 | 2.6 | 16 | 14127 | 26¼ | 25¾ | 25⅞ | +⅛ |
| 12⅝ | 10¼ | Abitibi Pr | 0.50 | 4.7 | 4 | 6 | 10⅝ | 10⅝ | 10⅝ | |
| 14⅛ | 8¼ | Acptncstn | | | 212 | 82 | 13 | 12¾ | 12¾ | -¼ |
| 32 | 25½ | ACE Ltd | 0.40 | 1.4 | | 521 | 29⅝ | 29⅛ | 29⅝ | +⅛ |
| 11⅞ | 10¾ | ACM Gvt In x | 0.96 | 8.2 | | 461 | u12 | 11¾ | 11¾ | -⅛ |
| 10 | 9⅛ | ACM GvOpp x | 0.80 | 8.1 | | 27 | 9⅞ | 9¾ | 9⅞ | +⅛ |
| 9⅝ | 8¾ | ACM Gvt Sp | 0.80 | 8.3 | | 339 | u9⅝ | 9½ | 9⅝ | |
| 11½ | 10½ | ACM Gvt Se | 0.96 | 8.4 | | 288 | 11⅜ | 11¼ | 11⅜ | |
| 11⅜ | 9⅝ | ACM Man x | 1.08 | 9.6 | | 161 | u11⅜ | 11¼ | 11¼ | -⅛ |
| 9⅝ | 8⅝ | ACM Mangd x | 0.72 | 8.0 | | 190 | 9¼ | 9 | 9 | -⅛ |
| 12⅜ | 7¾ | Acme Cleve | 0.40 | 3.5 | 14 | 374 | 11½ | 11¼ | 11½ | +⅛ |
| 9¼ | 6½ | Acme Elect | | | 258 | 2 | 7¾ | 7¾ | 7¾ | +⅛ |
| 24¾ | 18⅝ | Acordia | 0.44 | 2.0 | 13 | 26 | 22⅜ | 22⅛ | 22⅛ | |
| 16 | 10⅜ | Acuson | | | 13 | 803 | 11¾ | 11½ | 11¾ | +⅛ |
| 22¾ | 19⅝ | Adams Expr | 0.48 | 2.3 | 1 | 54 | 20⅝ | 20⅜ | 20½ | -⅛ |
| 66 | 45½ | Ad Micro | 3.00 | 5.5 | | 37 | 55 | 54¾ | 55 | +½ |
| 32¾ | 17⅝ | Ad Micro P | 3.00 | 12.2 | 9 | 3008 | 24¾ | 24⅜ | 24⅝ | |
| 7¾ | 5½ | Advest Grp | 0.16 | 2.8 | 9 | 20 | 5¾ | 5¾ | 5¾ | -⅛ |
| 24¾ | 18 | Advo Inc | 0.08 | 0.4 | 20 | 25 | 18¾ | 18½ | 18½ | -¼ |

TECHNOLOGY THAT WORKS FOR LIFE

Samsung Notebook PC

80486SX/25 MHz
Removable HDD
Inter Key Mouse

SAMSUNG ELECTRONICS

Continued on next page

4 pm close July 13

# NYSE COMPOSITE PRICES

Continued from previous page

# NASDAQ NATIONAL MARKET

4 pm close July 13

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| ASWBrands | 0.32 | 16 | 494 | 17½ | 17 | 17 | -¼ |
| ABS Inds | | 20 | 9 | 12 | 11¼ | 12 | +¾ |
| ACC Corp | 0.12 | 24 | 53 | 13 | 12½ | 12½ | |
| Acclaim E | | 40 | 4646 | 31⅞ | 30⅝ | 31 | -1⅞ |
| Acme Mtls | | 42 | 202 | u18½ | 17¾ | 18⅛ | -⅛ |
| Acxiom Cp | | 28 | 106 | 17 | 16¼ | 16⅞ | +¼ |
| Adaptech | | 13 | 4006 | 23¼ | 22⅝ | 22⅞ | -¼ |
| ADC Tele | | 29 | 3114 | 30¾ | 29¾ | 30½ | +1 |
| Addington | | 43 | 854 | u16¼ | 15¾ | 16 | -⅛ |
| Adia Serv | 0.16 | 18 | 10 | 22 | 21 | 21½ | +½ |
| Adobe Sys | 0.40 | 29 | 4036 | 59 | 58¼ | 58⅞ | -1 |
| Advance C | | 10 | 638 | 11⅞ | 11½ | 11⅞ | +¼ |
| Adv Logic | | 13 | 313 | 4 | 3⅝ | 3⅝ | |
| Adv Polym | | 15 | 529 | 6⅞ | 6¼ | 6⅝ | |
| AdvTchLab | | 27 | 1323 | 17¼ | 16¾ | 16¾ | -½ |
| Advanta | 0.25 | 20 | 1638 | 49¼ | 48 | 48¼ | -½ |
| Affymax | | 15 | 137 | 15 | d14¼ | 14¼ | -¼ |
| Agency Re | | 12 | 1668 | 8½ | 8 | 8 | -¼ |
| AgnicoEa | 0.10 | 65 | 2878 | 11⅞ | 11 | 11⅛ | -⅛ |
| Akzo ADR | 2.80 | 10 | 99 | q44¾ | 41½ | 41⅝ | -⅛ |
| Aldus Cp | | 83 | 1983 | 15¼ | 14½ | 15 | +⅛ |
| Alex Bald | 0.88 | 14 | 1937 | 27 | 26 | 26⅛ | -⅛ |

# AMEX COMPOSITE PRICES

4 pm close July 13


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FINANCIAL TIMES

Perrier battle ends with something for everyone.

AMERICA

# Inflation news fails to lift equity sentiment

### Wall Street

GOOD news on inflation failed *to lift stock market sentiment* yesterday, and by early afternoon prices were flat to lower in thin summer trading, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 8.38 lower at 3,516.00. The more broadly based Standard & Poor's 500 was down 0.65 at 448.33, while the Amex composite was up 1.68 at 439.78, and the Nasdaq composite down 0.16 at 707.51. Trading volume on the NYSE was 141m shares by 1 pm.

Although the morning's news on inflation – the June *producer prices index fell by* 0.3 per cent – was bullish for equities, investors appeared uninterested in the data. Dealers attributed the lack of a more positive reaction to two factors: first, that the markets had expected a good PPI number, *so it was already priced* into stocks; and, secondly, that investors and dealers may have been slightly disappointed at the 0.1 per cent decline reported in the "core" PPI, which excludes the volatile food and energy components of the headline PPI. Analysts had been looking for a bigger decline in the core measure.

Equity markets may also have been disappointed by the lack of a move upward in bond prices. By early afternoon the Treasury market had shrugged off the PPI data, and the benchmark 30-year bond was down slightly, yielding 6.625 per cent.

The first batch of second quarter corporate earnings began to arrive in earnest yesterday. Brokerage stocks were among the busiest sectors. Merrill Lynch reported record quarterly profits of $345m, which lifted the shares temporarily to a new all-time high of $86⅝. At that point, however, *profit-takers moved in, and the* selling pushed Merrill's stock to an early afternoon low of $84⅝, down $1¼ on the day.

PaineWebber, another big Wall Street securities house, also ran into some profit-taking, the stock easing $⅜ to $29 *in spite of another strong quarter*, with profits climbing 30 per cent to $59.3m. Finally, Bear Stearns firmed $⅜ to $23¼ on the news that its president, Mr James Cayne, has been appointed to the additional post of chief executive.

Home Shopping Network was the markets' most heavily traded stock for the second day *running, rising $1 to $14⅝ in* volume of 2m shares as investors continued to react favourably to news of a merger offer from the rival QVC Network. QVC, traded on the Nasdaq market, jumped $2⅝ to $70¼.

Motorola climbed $2⅜ to $89¼ following the company's announcement, late on Monday, of a 57 per cent rise in *second quarter profits to* $224m.

Hilton Hotels fell $1 to $45 after reporting a 17 per cent decline in second quarter profits to $26.8m and warning that the remainder of the year would be "challenging" for the *company.*

### Canada

TORONTO was lower at midsession as the market searched for direction. The TSE composite index was 3.78 down at *3,946.72 in volume of 35.3m* shares valued at C$415.9mn.

Advances exceeded declines by *299* to *293*, with *277* issues unchanged.

Among the actives Laidlaw B was down C$¼ at C$8⅜.

EUROPE

# Roche takes Zurich to new year's high

FRANKFURT quietened a little, more in share price than in turnover terms, but there were pockets of good performance elsewhere, *writes Our Markets Staff.*

ZURICH rose again on a good progress report from Roche, and further strength in banks. *The SMI index rose 10.1* to 2,419.0, a new closing high for the year.

Roche's 8 per cent rise in first half sales took in 14 per cent local currency growth in pharmaceuticals and a strong performance in diagnostics, said Mr Mark Tracey at Goldman Sachs, which has revised its earnings forecasts from *SFr273 to SFr284 a share* for 1993, and from SFr324 to SFr346 for 1994. The certificates rose SFr40 to SFr5,170.

In banks, UBS bearers added SFr22 to SFr1,185, and CS Holding SFr40 to SFr2,895.

AMSTERDAM slipped back a *little at the close as some prof*its were locked in and the dollar weakened. The CBS Tendency index slipped 0.4 to 116.9, after an earlier high of 117.6.

Cyclical stocks continued to attract interest, although most fell back from their intraday *peaks. Hoogovens, which* crossed the Fl 41 barrier at one stage, closed down 10 cents at Fl 39.20, and DSM, up to *Fl 101.20 during the session,* retreated Fl 1.50 to Fl 97.80 at the close.

Goldman Sachs has recently recommended taking an overweight position in Dutch cyclicals, generating interest particularly from US and UK *investors. However, Amster*dam brokers, Pierson, believe that it is still too earlier to take a position in cyclicals, given forecasts of economic recovery no sooner that the end of 1994. The brokers also comment that the recent gains in DSM have been overdone, as it does not expect the chemicals group to pay a dividend when it announces results later this month.

KLM rose Fl 1.20 or 4 per cent to Fl 30.70 helped by a good recent performance in Lufthansa and expectations of progress in its cooperation talks with other European *operators.*

Unilever lost Fl 3.70 to Fl 197.50 on news that competitor Proctor & Gamble was expected to cut the price on some of its products.

PARIS fell back towards the close. Uncertainty prevailed as *to whether the Bundesbank* would cut interest rates this week. The CAC-40 index ended down 1.07 at 1,991.15, having breached the 2,000 level during the session. Turnover was FFr3bn.

The French market is closed today for Bastille Day. Most analysts expect the franc to *weather the current crisis* in the currency markets, and there was less pressure seen on the currency yesterday.

Valeo was one of the day's strongest performers in high volume on rumours of a possible financial restructuring, the *shares adding* FFr35 or 4 per cent to FFr884. Its holding company, Cerus, gained FFr3.60 to FFr88.20.

Casino improved FFr4.00 to FFr146.90 on reports that it might be about to sell a US division.

FRANKFURT fell on profit taking, but its losses were relatively light at blue chip level and the DAX index stayed above 1,800 at the close, ending 11.01 *lower at 1,807.16.*

Turnover eased from DM10.6bn to DM9.7bn. There was no obvious pressure on cyclicals, a recent support for the market. Indeed, Daimler only fell DM2 to DM664 after Monday's DM16 gain and, in *steels, Thyssen actually rose* DM1.30 to DM206.80.

However, there were pockets of punishment, mostly lower down the size scale where illiquidity has persisted. In chemicals, for example, Rütgerswerke dropped DM23, or 7.2 *per cent to DM296.*

Meanwhile, the German depression was reflected in a warning of worsening business from Linotype, the printing technology company; its shareholders paid, too, with a fall of DM40, or 8.3 per cent to DM440.

MILAN was largely dominated by technical trading as options expired. The market is expected to remain subdued aheads of tomorrow's close of the monthly account. The Comit index eased 0.27 to 545.73.

Stet put on L16 to L3,646 at the fix, and moved on to L3,790 on the *kerb as foreign interest* in the telecommunications sector continued to develop. There are rumours that *Stet is planning* a L600bn bond issue, convertible into Sip savings shares. Sip was L14 higher at L2,704 and L2,725 in after hours *trading.*

BRUSSELS ended at a record high for the third consecutive day Tuesday, *the Bel-20 index* climbing 10.21 to 1,328.54.

STOCKHOLM's rally accelerated with the Affärsvärlden index gaining 7.0 to 1,134.6. *Turnover advanced to SKr947m* from SKr755m. Demand for Ericsson B shares continued, rising SKr1 to SKr353. Telecommunications also featured in HELSINKI where Nokia put on FM6 to FM213 and the HEX index gained 11.7 to 1,257.2.

*TEL AVIV rebounded* after a week of losses on a Bank of Israel interest rate cut, the blue chip index rising 5.23, or 2.8 per cent to 191.84.

**FT-SE Actuaries Share Indices**

| July 13 | | | | | | | | THE EUROPEAN SERIES |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1234.15 | 1233.10 | 1232.97 | 1235.27 | 1236.10 | 1236.22 | 1236.12 | 1235.91 |
| FT-SE Eurotrack 200 | 1277.12 | 1278.05 | 1277.89 | 1279.51 | 1280.83 | 1280.64 | 1279.95 | 1279.32 |
| | Jul 12 | Jul 9 | Jul 8 | Jul 7 | Jul 6 | | | |
| FT-SE Eurotrack 100 | 1232.90 | 1230.56 | 1225.73 | 1211.33 | 1203.04 | | | |
| FT-SE Eurotrack 200 | 1274.63 | 1274.12 | 1270.80 | 1260.04 | 1257.80 | | | |

Base value 1000 (26/10/90) High/day: 100 - 1236.72; 200 - 1283.22 Low/day: 100 - 1232.61 200 - 1275.78

# Indian foreign initiative reaps limited rewards

## RC Murthy on a disappointing inflow of orders

India's securities scandal is only one reason why, nine months since the market was opened to foreign portfolio investment, there has been a *flood of enquiries but no big* inflow of orders.

So far, less than $20m has come in, disappointing the Securities and Exchange Board *of India, the market* watchdog which also keeps track of capital flows.

For decades, foreigners were kept out of India, by official fiat; and last September, when foreign investors were given permission to hold up to 5 per cent *of quoted Indian* companies, they were discouraged by archaic trading practices, and share prices which moved more on rumours than on facts *and fundamentals.*

No official target was set for foreign involvement. The authorities in New Delhi were hoping for $2bn in foreign direct capital inflow, including $1bn of portfolio investment, this year; but even this objective is proving as tough as Mount Everest to scale.

Mr Stephen Barnes, at the Bombay office of BZW, says: "One should talk of hundreds *of millions, not billions*", for the next couple of years.

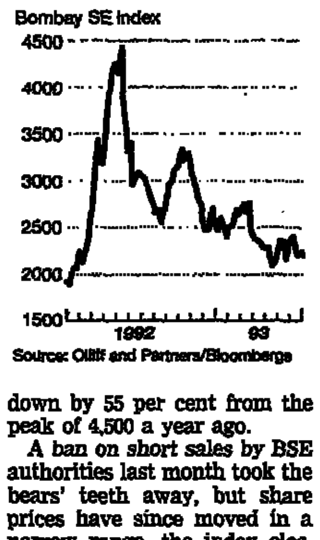
It will be a long haul at this rate for overseas investors to reach their 5 per cent quota, which works out to Rp58bn ($1.84bn), taking the market capitalisation of the top half of the 650 companies listed on the Bombay Stock Exchange.

Foreign fund managers have had a lot of bad news to contend with. Early last December they were pondering the outbreak of communal riots, triggered by the destruction of the Babri mosque at Ayodhya.

Subsequent events have included pre-budget blues in February; a series of bomb blasts on March 12, which upset commercial activity in major Indian cities; and, finally, the bombshell dropped last month by Mr Harshad Mehta, the stockbroker at the centre of *India's Rp50bn securi*ties scandal, alleging a Rp10m pay-off to Mr PV Narisimha Rao, the Indian prime minister, who denied the accusation.

*The stock market has* reacted bearishly. The BSE 30-share index hit its 14-month low of 2,036 at the end of April, down by 55 per cent from the peak of 4,500 a year ago.

**India**




Source: Olliff and Partners/Bloomberg

A *ban on short sales by BSE* authorities last month took the bears' teeth away, but share prices have since moved in a narrow range, the index closing yesterday at 2,187.81 after a downward flutter on Monday.

Foreign investors now have a *feel* for the environment. They are able *to identify quite* a few companies with price/earnings multiples of less than 25, and this makes an attractive *change.*

The market was governed until recently by Mr Mehta's theory that p/e ratios were less important in valuing companies than the cost of replacing existing assets. On this basis, ACC, India's biggest cement producer, was bought up to Rp10,000 in April 1992. It is now down to a realistic Rp1,660 and a p/e of just under 19.

Fundamentals have improved. Inflation is running at a six-year low of 5.8 per cent per annum; and interest rates at commercial banks are down by 2 percentage points over the *past four months* and are poised to fall further.

Monsoon rains this season so far have been timely, and evenly spread throughout the country. If the weathermen's predictions come true, agricultural production will see *strong growth, laying the foun*dation for a sharp rise in gross national product this year.

The stock market has now focused on around half a dozen companies with *strong funda*mentals, such as ICICI, the finance house, Great Eastern Shipping, SCICI (basically shipping finance) and the Housing Development Finance Corporation, all of which are in the p/e range of 9 to 17.

*Foreigners have devised a* dual strategy, testing the market with small orders and then striking bilateral deals with local institutional investors. "It *is possible to get discounts on* large orders," says Mr Barnes, justifying the bilateral approach.

On the sell side, the Unit Trust of India is interested in selling part of *its portfolio because it needs to* generate Rp50bn in cash to service dividends in July.

Mr P Sankaran, of Ind-Global Financial Services, expects the *tempo of foreign portfolio* investment to accelerate over the next two months, if there is no major setback to the equity market over the same period. "The immediate problem," emphasises Mr Sankaran, "is political stability."

ASIA PACIFIC

# Election hopes push Nikkei above 20,000

### Tokyo

HOPES OF a further stimulus to the economy after elections *to the lower house took the* Nikkei average to a close above 20,000 for the first time since June 15, *writes Emiko Terazono in Tokyo.*

The index rose for the third consecutive day, ending 200.42, or 1 per cent, higher at 20,180.42. It registered a low for the day of 19,967.60 at the beginning of the session; but institutional and individual investors bought interest rate-sensitive issues *on hopes of* lower interest rates, while arbitrage-related demand during the last half-hour of trading pushed it up to a high of 20,243.02.

Volume rose to 320m shares from 229m. Advances led falls *by 825 to 190, with 127 issues* unchanged. The Topix index of all first section stocks put on 21.63 at 1,635.31 and, in London, the ISE/Nikkei 50 index firmed 1.75 to 1,244.73.

Aside from arbitrage-related buying, which had led trading in recent days, traders said banks and some life assurers were buying interest rate-sensitive issues. Mr Chris Newton at James Capel commented: "Some investors are starting to believe that the market will firm after the weekend elections."

Interest rate-sensitive financial issues were *higher on* hopes of monetary easing. Industrial Bank of Japan moved ahead Y90 to Y3,150 and Bank of Tokyo Y90 to Y1,660. Traders said the Long Term Credit Bank's decision to end its financial support for EIE *International, the* unlisted property developer, prompted hopes that other banks will follow suit in cutting off restructuring support.

Companies linked to EIE International drew heavy sell*ing orders. Sea-Com, listed on* the second section, closed at an offered price of Y385, down Y80, and Electronic & International Enterprises closed on the over-the-counter market at an offer price of Y850, a fall of Y100.

*Interest rate-sensitive, large*-capital stocks were firm, Nippon Steel adding Y9 at Y372 and Kawasaki Steel Y4 at Y341.

Nippon Telegraph and Telephone *jumped Y37,000 to* Y915,000, regaining the Y900,000 level for the first time since June 24.

In Osaka, the OSE average rose 230.68 to 22,188.90 in volume of 16.2m shares. The index advanced for the fourth consecutive trading day, exceeding the 22,000 level for the first time since June 16.

### Roundup

DISCERNIBLE trends were hard to find among the region's markets yesterday as a general period of consolidation took hold.

*HONG KONG ended margin*ally higher, supported by the banking and utilities sectors. The Hang Seng index gained 3.51 at 6,956.10.

Property issues were sold partly on fears that mainland investors might sell holdings *because of China's tightened* credit policies. Cheung Kong retreated 50 cents to HK$25.60 and Henderson Land *20 cents* to HK$20.90.

SEOUL was lower for the third straight session on institutional selling. The composite index lost 6.13 to 762.94 in turnover down to Won478bn from Monday's Won505bn.

*Lucky-Goldstar* group shares went against the trend on an announcement that the group planned to sell eight subsidiaries and merge five units by *the end of* 1995. Goldstar Instrument and Electric rose Won400 to Won22,900.

TAIWAN continued its downward trend in the absence of positive news. The weighted index fell 65.53, or 1.6 per cent, to 4,013.18. Turnover came to *T$17.2bn, against T$16.3bn.*

AUSTRALIA was supported by brisk trading in Wool*worths, but* easier gold shares later in the day dampened sentiment. The All Ordinaries index finished a net 2.4 up at 1,804.2. The golds index receded 8 full points to 2,215.7.

About 17.4m Woolworths shares were traded after Mon*day's A$2.5bn flotation,* and the stock lost a cent at A$2.80 after reaching A$2.83 earlier.

NEW ZEALAND retreated from Monday's three-year high to close slightly lower.

The NZSE-40 index slipped 3.12 to 1,723.73 in a turnover of NZ$767m.

KARACHI ended sharply higher after a positive round of meetings between President Ghulam Ishaq Khan and Prime Minister Nawaz *Sharif* lifted sentiment. The KSE index rose 15.67 to 1,259.85.

### SOUTH AFRICA

*GOLD shares fell as the price* of bullion declined, the index closing 26, or 1.3 per cent down at 1,950. *Industrials* shed 7 to 4,631 and the overall index lost 13 to 4,090. De Beers dipped 75 cents to R82.25 but Anglos gained R2 at R141.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY JULY 12 1993 | | | | | | | | FRIDAY JULY 9 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1993 High | 1993 Low | Year ago (approx) |
| Australia (68) | 139.53 | +0.7 | 139.96 | 95.66 | 125.39 | 136.09 | +1.0 | 3.68 | 138.60 | 138.70 | 96.06 | 124.01 | 134.88 | 144.19 | 117.39 | 144.93 |
| Austria (18) | 148.90 | +0.7 | 149.37 | 103.16 | 133.81 | 133.87 | +1.2 | 1.46 | 147.91 | 148.02 | 102.52 | 132.34 | 132.29 | 150.96 | 131.16 | 165.55 |
| Belgium (42) | 147.89 | +0.6 | 148.35 | 102.45 | 132.90 | 130.02 | +1.1 | 4.40 | 146.96 | 147.07 | 101.86 | 131.49 | 128.66 | 156.76 | 131.19 | 149.38 |
| Canada (108) | 128.04 | +0.8 | 128.44 | 88.70 | 115.05 | 118.49 | +0.8 | 2.84 | 127.04 | 127.13 | 88.05 | 113.66 | 117.56 | 130.38 | 111.41 | 128.71 |
| Denmark (33) | 209.72 | –0.9 | 210.37 | 145.29 | 188.46 | 191.60 | +0.2 | 1.18 | 211.58 | 211.74 | 146.65 | 189.31 | 191.29 | 225.64 | 185.11 | 247.15 |
| Finland (23) | 98.08 | –0.9 | 98.38 | 67.95 | 88.14 | 119.07 | –0.4 | 1.02 | 98.99 | 99.06 | 68.61 | 88.57 | 119.51 | 100.92 | 65.50 | 79.41 |
| France (96) | 150.72 | –0.7 | 151.19 | 104.41 | 135.43 | 139.61 | +0.3 | 3.29 | 151.71 | 151.82 | 105.15 | 135.73 | 139.22 | 167.36 | 142.72 | 165.04 |
| Germany (60) | 114.36 | +0.5 | 114.72 | 79.24 | 102.77 | 102.77 | +0.9 | 2.07 | 113.82 | 113.90 | 78.90 | 101.83 | 101.83 | 117.10 | 101.59 | 129.14 |
| Hong Kong (55) | 279.93 | –1.6 | 280.80 | 193.93 | 251.57 | 278.99 | –1.5 | 3.38 | 284.61 | 284.82 | 197.26 | 254.66 | 283.38 | 301.61 | 218.82 | 256.26 |
| Ireland (15) | 155.95 | –0.5 | 156.43 | 108.04 | 140.14 | 157.52 | +0.3 | 3.43 | 156.80 | 156.92 | 108.68 | 140.30 | 157.03 | 170.40 | 129.28 | 160.96 |
| Italy (70) | 67.66 | –0.4 | 67.87 | 46.87 | 60.80 | 80.29 | +0.3 | 2.02 | 67.91 | 67.96 | 47.07 | 60.76 | 80.08 | 72.82 | 53.78 | 69.35 |
| Japan (470) | 146.39 | +0.5 | 146.85 | 101.42 | 131.57 | 101.42 | +0.4 | 0.82 | 145.73 | 145.83 | 101.00 | 130.40 | 101.00 | 155.96 | 100.75 | 102.25 |
| Malaysia (69) | 327.15 | –1.4 | 328.17 | 226.64 | 293.99 | 324.70 | –1.2 | 2.08 | 331.63 | 331.87 | 229.85 | 296.72 | 328.76 | 349.34 | 251.66 | 250.33 |
| Mexico (19) | 1534.40 | +0.9 | 1539.16 | 1063.03 | 1378.88 | 5244.27 | +0.9 | 0.94 | 1521.04 | 1522.16 | 1054.26 | 1380.94 | 5195.29 | 1725.81 | 1410.30 | 1418.91 |
| Netherland (24) | 166.00 | –0.4 | 166.51 | 115.00 | 149.18 | 147.32 | +0.1 | 3.73 | 166.72 | 166.84 | 115.55 | 149.17 | 147.24 | 172.75 | 150.39 | 166.34 |
| New Zealand (13) | 52.94 | +0.3 | 53.10 | 36.68 | 47.57 | 51.11 | +0.4 | 4.36 | 52.76 | 52.80 | 36.57 | 47.21 | 50.89 | 52.94 | 40.56 | 47.18 |
| Norway (22) | 157.79 | +0.5 | 158.28 | 109.32 | 141.80 | 157.95 | +1.3 | 1.67 | 157.03 | 157.14 | 108.84 | 140.50 | 155.96 | 166.21 | 137.71 | 173.65 |
| Singapore (38) | 244.73 | –1.6 | 245.49 | 169.55 | 219.93 | 183.72 | –1.4 | 1.88 | 248.61 | 248.80 | 172.32 | 222.44 | 186.34 | 262.72 | 207.04 | 220.85 |
| South Africa (60) | 204.64 | –0.5 | 205.28 | 141.77 | 183.89 | 206.42 | –0.5 | 2.45 | 205.68 | 205.84 | 142.56 | 184.03 | 207.47 | 211.77 | 144.72 | 200.80 |
| Spain (44) | 121.36 | –0.6 | 121.74 | 84.08 | 109.06 | 122.15 | +0.1 | 4.90 | 122.07 | 122.16 | 84.61 | 109.22 | 122.07 | 132.82 | 116.23 | 152.96 |
| Sweden (36) | 167.86 | +0.7 | 168.38 | 116.29 | 150.85 | 199.04 | +1.0 | 1.69 | 166.69 | 166.81 | 115.54 | 149.15 | 196.98 | 184.06 | 149.70 | 194.64 |
| Switzerland (50) | 127.63 | +0.5 | 128.02 | 88.43 | 114.71 | 120.94 | +0.3 | 1.80 | 127.05 | 127.14 | 88.07 | 113.69 | 120.55 | 129.36 | 108.91 | 113.04 |
| United Kingdom (219) | 170.32 | –0.7 | 170.85 | 117.99 | 153.05 | 170.85 | –0.4 | 4.05 | 171.46 | 171.58 | 118.83 | 153.40 | 171.58 | 181.99 | 162.00 | 190.54 |
| USA (519) | 183.79 | +0.2 | 184.36 | 127.34 | 165.17 | 183.79 | +0.2 | 2.79 | 183.47 | 183.60 | 127.17 | 164.16 | 183.47 | 186.27 | 175.38 | 168.89 |
| Europe (752) | 142.47 | –0.3 | 142.91 | 98.70 | 128.03 | 137.86 | +0.1 | 3.24 | 142.88 | 142.98 | 99.03 | 127.84 | 137.70 | 149.02 | 133.92 | 154.69 |
| Nordic (114) | 160.48 | +0.1 | 160.98 | 111.18 | 144.22 | 166.56 | +0.7 | 1.49 | 160.29 | 160.41 | 111.10 | 143.42 | 165.42 | 171.77 | 142.13 | 181.40 |
| Pacific Basin (713) | 150.08 | +0.3 | 150.54 | 103.96 | 134.87 | 107.84 | +0.3 | 1.10 | 149.61 | 149.72 | 103.70 | 133.87 | 107.53 | 159.07 | 105.89 | 108.82 |
| Euro–Pacific (1465) | 146.84 | +0.1 | 147.30 | 101.73 | 131.95 | 120.38 | +0.2 | 1.95 | 146.74 | 146.85 | 101.70 | 131.29 | 120.11 | 154.05 | 117.26 | 127.38 |
| North America (627) | 180.32 | +0.2 | 180.88 | 124.94 | 162.07 | 179.35 | +0.2 | 2.79 | 179.95 | 180.08 | 124.74 | 161.04 | 178.98 | 182.38 | 171.51 | 166.36 |
| Europe Ex. UK (533) | 124.77 | +0.0 | 125.16 | 86.46 | 112.16 | 118.52 | +0.5 | 2.70 | 124.82 | 124.91 | 86.53 | 111.71 | 117.96 | 128.65 | 112.51 | 132.81 |
| Pacific Ex. Japan (243) | 186.69 | –0.8 | 187.27 | 129.36 | 167.78 | 172.54 | –0.6 | 3.19 | 188.16 | 188.30 | 130.44 | 168.37 | 173.56 | 194.08 | 152.70 | 173.53 |
| World Ex. US (1652) | 147.66 | +0.1 | 148.11 | 102.30 | 132.70 | 122.52 | +0.2 | 1.97 | 147.52 | 147.63 | 102.26 | 132.00 | 122.24 | 154.27 | 118.51 | 129.00 |
| World Ex. UK (1952) | 157.64 | +0.2 | 158.13 | 109.22 | 141.67 | 138.43 | +0.3 | 2.11 | 157.31 | 157.43 | 109.04 | 140.77 | 138.05 | 161.34 | 134.22 | 136.84 |
| World Ex. So. Af. (2111) | 158.56 | +0.1 | 159.05 | 109.86 | 142.50 | 140.93 | +0.2 | 2.29 | 158.35 | 158.47 | 109.77 | 141.70 | 140.62 | 162.74 | 137.29 | 141.14 |
| World Ex. Japan (1701) | 167.21 | +0.0 | 167.73 | 115.86 | 150.29 | 163.87 | +0.1 | 2.94 | 167.25 | 167.37 | 115.93 | 149.67 | 163.87 | 170.05 | 157.47 | 163.47 |
| The World Index (2171) | 158.78 | +0.1 | 159.27 | 110.01 | 142.68 | 141.47 | +0.2 | 2.29 | 158.58 | 158.70 | 109.92 | 141.90 | 141.17 | 162.86 | 137.32 | 141.48 |

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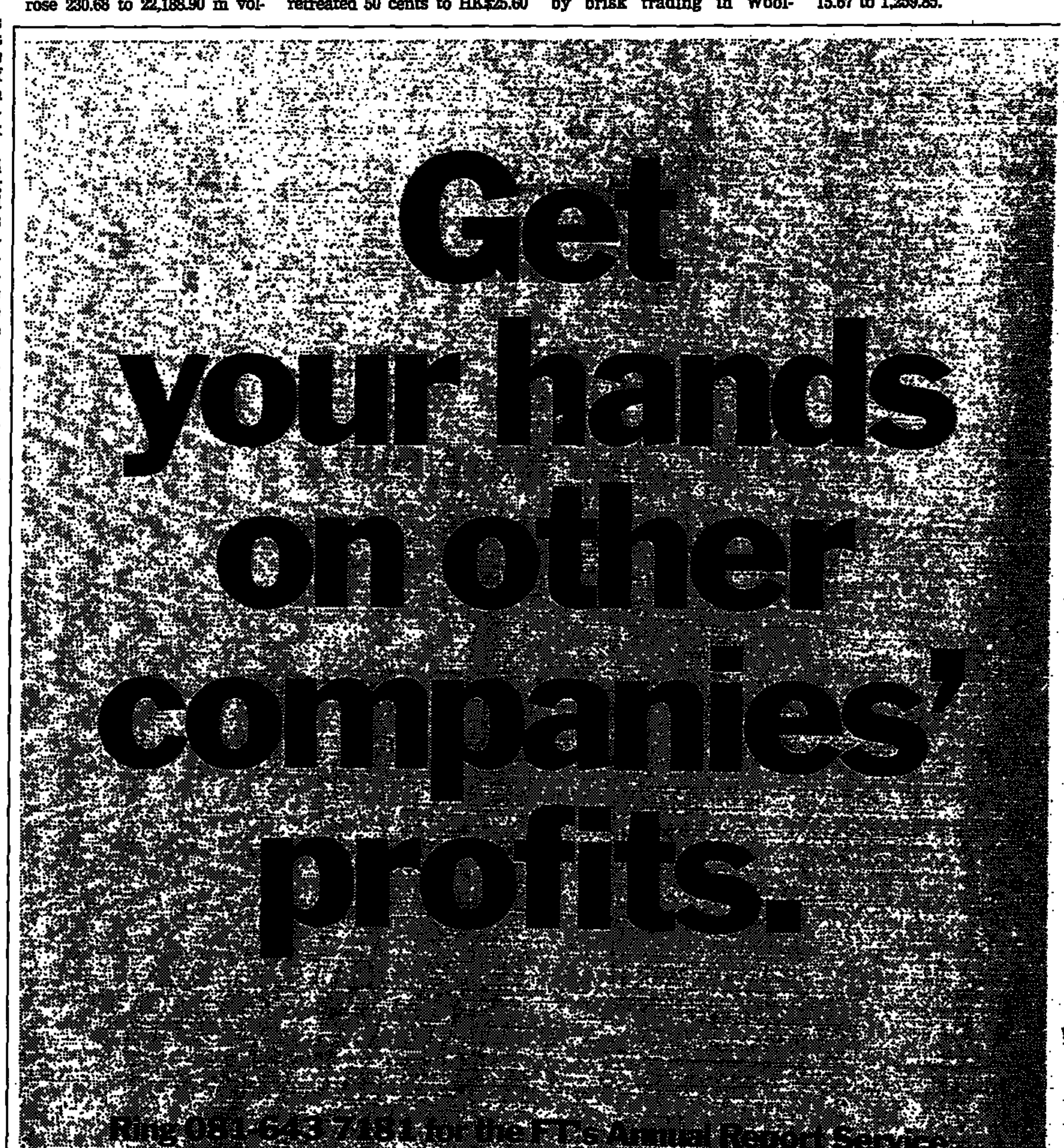


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